JULY 1951

CREDIT and FINANCIAL MANAGEMENT

The efficient use of a bank credit department

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Kallman on credit and financial terminology

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The unity of interest among all credit men

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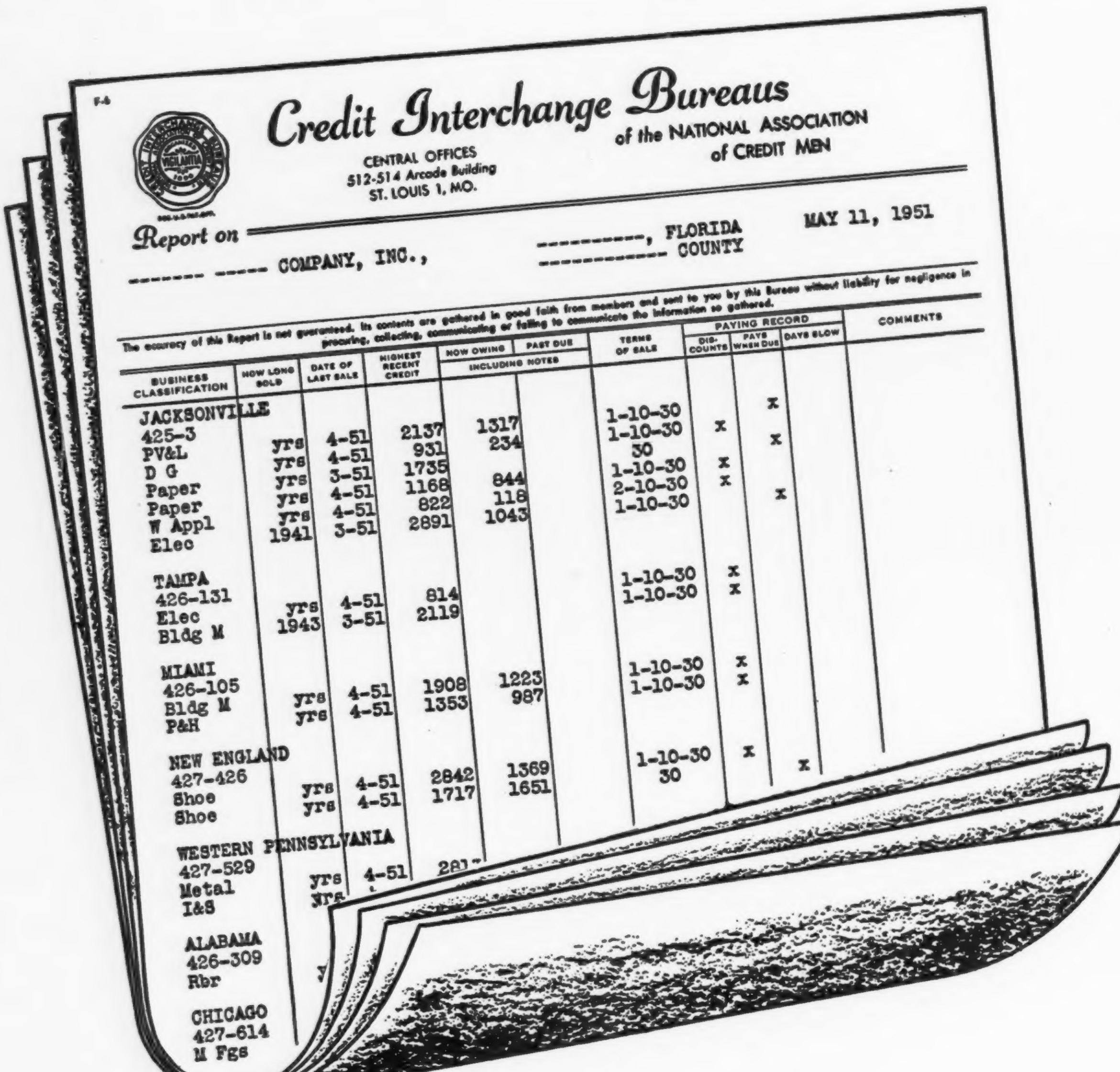
That bad check could be good in some courts

Vice-presidents Lane, Eggerding & Messer . . . See page 3

A publication of

The National Association of Credit Men



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Credit Interchange Bureaus of the NATIONAL ASSOCIATION of CREDIT MEN

CENTRAL OFFICES
512-514 Arcade Building
ST. LOUIS 1, MO.

Report on

------- ----- COMPANY, INC., ----------, FLORIDA ----------- COUNTY MAY 11, 1951

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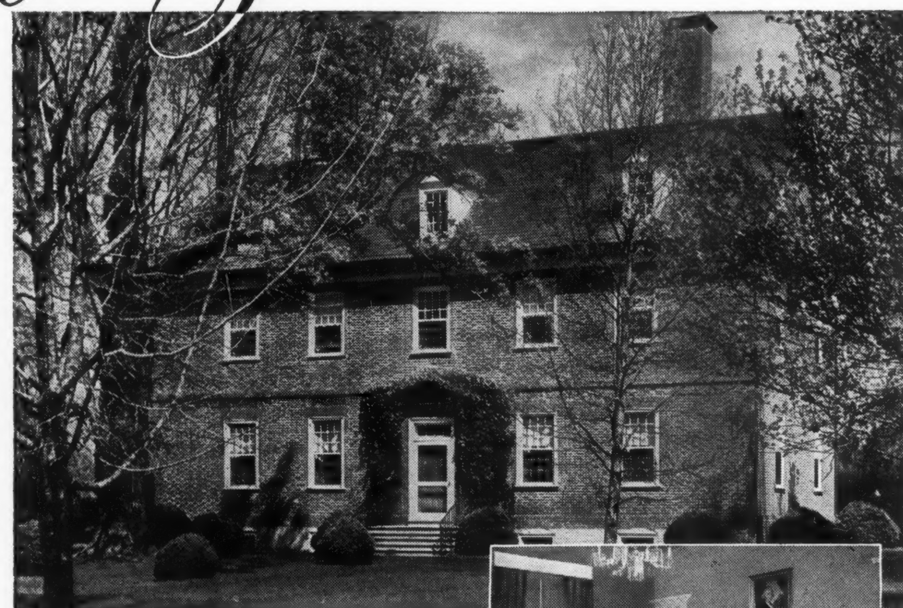
BUSINESS CLASSIFICATION	HOW LONG SOLD	DATE OF LAST SALE	HIGHEST RECENT CREDIT	NOW OWING (INCLUDING NOTES)	PAST DUE (INCLUDING NOTES)	TERMS OF SALE	PAYING RECORD: DIS-COUNTS	PAYING RECORD: PAYS WHEN DUE	PAYING RECORD: DAYS SLOW	COMMENTS
JACKSONVILLE										
425-3						1-10-30		x		
PV&L	yrs	4-51	2137	1317		1-10-30	x	x		
D G	yrs	4-51	931	234		30				
Paper	yrs	3-51	1735			1-10-30	x			
Paper	yrs	4-51	1168	844		2-10-30	x	x		
W Appl	yrs	4-51	822	118		1-10-30				
Elec	1941	3-51	2891	1043						
TAMPA										
426-131						1-10-30	x			
Elec	yrs	4-51	814			1-10-30	x			
Bldg M	1943	3-51	2119							
MIAMI										
426-105						1-10-30	x			
Bldg M	yrs	4-51	1908	1223		1-10-30	x			
P&H	yrs	4-51	1353	987						
NEW ENGLAND										
427-426						1-10-30	x	x		
Shoe	yrs	4-51	2842	1369		30				
Shoe	yrs	4-51	1717	1651						
WESTERN PENNSYLVANIA										
427-529										
Metal	yrs	4-51	281-							
I&S	yrs									
ALABAMA										
426-309										
Rbr	y									
CHICAGO										
427-614										
M Fgs										

FAMOUS AMERICAN HOMES

Berkeley

Ancestral Home of a signer and two Presidents



A year before the Pilgrims landed, America's first Thanksgiving was celebrated in Virginia on property now occupied by Berkeley plantation. On December 4, 1619, settlers came ashore and took possession of land granted by King James I and it was agreed that the date of their arrival was to be "yearly and perpetually" observed as a day of Thanksgiving.

One of the loveliest of the James River plantations, Berkeley is known as the cradle of the Harrisons in Virginia. For 150 years members of that distinguished family brought lustre to its name. Colonel Benjamin Harrison, whose father had built the present mansion in 1726, was a Signer of the Declaration of Independence and three times Governor of Virginia. His son, William Henry, was Secretary of the Northwest Territory, a renowned Indian fighter and ninth President of the United States. According to tradition, young William decided to become a soldier when from Berkeley's windows he saw the redcoats marching past with the traitorous Benedict Arnold. In manhood he returned to Berkeley and wrote his inaugural address in the room where he had been born. His grandson, Benjamin Harrison, became 23rd President, but knew Berkeley only through occasional visits.

During the War Between the States General McClellan made Berkeley his headquarters and is said to have used the cellar as a prison for Confederate soldiers. Here the bugle call, "Taps," was composed by General Butterfield and here Lincoln reviewed the troops. Even though it was night, according to an observer, "Everyone could tell him by his 'stove-pipe hat' and his unmilitary acknowledgment of the cheers which greeted him."

Long before the mansion was built, members of the Harrison family operated a wharf on the river front known as Harrison's Landing where some of this country's first ships were assembled. From earliest times a noteworthy event has been the spring runs of shad and herring which are seined with drift-nets today just as they were in the past.

After the Harrisons' time Berkeley was neglected and somewhat altered by various tenants. The present gracious owner, Malcolm Jamison, has carefully restored it to its original appearance and, fully aware of its historical value has taken every practical means, through insurance engineering and protection, to preserve it for posterity. Through his generosity this beautiful home is now open to public inspection.

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Editorial

Every man his own tax-collector!

ONE can hardly sympathize with people who do not pay their just taxes. Whether we like the tax bill or not we have an obligation under the law to pay the Government what we owe. This obligation is not only legal; it is moral too. However, everyone has a right to express disapproval of the Government's seeking to have every citizen, and business as well, do its tax collection. That was the basis of an action in Connecticut as you well know. Therefore, the withholding tax on dividends, interests and royalties, which has just been approved by the House Ways and Means Committee, but which at this writing is not yet law, is certainly another piece of evidence that the Government is not only collecting all the taxes it can possibly squeeze out of individuals and companies but is also asking the individual businesses and corporations to do the collecting work for it.

It is characteristic of any government that attempts to have a managed economy to shift the burden of administration. It is a confession of weakness in government administration. If, as has been suggested, some four hundred million dollars a year may be brought in under the new system why did not the Government all these years adopt an auditing system that would easily disclose the tax evaders and force them to obey the law or suffer the penalty of violation? This program is not dissimilar to the program that assumes that you can't trust people to run their own affairs and that the Government knows best. It is on this assumption that dictators work.

The whole philosophy of Government getting a preference on tax claims ad infinitum (for that is about what it amounts to), the idea of forcing other people to collect their taxes, the assumption that the people are not to be consulted but are to be told, all these are far, far removed from the ideals that our Constitutional fathers had in mind.

If the average credit man was no more vigilant in collecting his bills than the tax-gatherers he would soon lose his job. Perhaps it is unfortunate that the same measure of accountability cannot be just as firmly exacted from Government representatives. It may be in time. Therein lies our hope.

Henry H. Heimann

HENRY H. HEIMANN,
EXECUTIVE MANAGER

CREDIT and FINANCIAL MANAGEMENT

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THIS MONTH'S COVER

What can you say in a case like this? Here we have the three new vice-presidents, all of them with long records of faithful service behind them, being escorted to the platform during the recent convention. Each has carved for himself a niche in Association history. Each has a record which speaks for itself.

So what can you say? Just this:

Callaway
Fernald
Miller
Tritton
Wells
Shea
Reader
Weidman
Steig
Thurlow
Fischer
Schilling
Miller
Havens
Nichols
Watts
Vesper
Harrison
Keefe
Kane
Kautzky
Rogers
Mansell
Holden
Trimble

And who are they? They are the nominating committee which had the sense to choose these three as vice-presidents.

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RICHARD G. TOBIN
Editor

LESLIE E. JONES
Associate Editor

E. B. MORAN
Business Manager

Publication Office: 1309 Noble Street, Philadelphia 23, Pa.

Editorial and Advertising offices
229 Fourth Avenue, New York 3, N. Y.

33 South Clark Street, Room 1538, Chicago 3, Ill.

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THIRTY DAYS IN WASHINGTON

A check list of items of interest to Financial Executives

TAX BILL UP TO SENATE COMMITTEE: The tax bill to add $7.2 billion to the federal revenue as passed by the House of Representatives on Friday, June 22, is now in the hands of the Senate Finance Committee. How long it will take to report the opinion of that committee to the Senate and what will be the committee's recommendations no one can foresee at this time. During the last week in June, Treasury Secretary Snyder sought to persuade Chairman George of the Senate Committee and his colleagues to hasten the work on the new tax bill.President Truman also put pressure on Chairman George and other committee members at a conference at the White House on June 27. The Senate Committee was scheduled to begin public hearings on Thursday, June 28, with Treasury Secretary Snyder as the lead-off witness. Members of the committee indicated that the hearings might last through July and even through September depending on the number of witnesses the committee decides to hear.

Senator Byrd of Virginia, an important member of the Senate Finance Committee, said in a Jefferson-Jackson Day dinner speech at Atlanta that federal spending for the fiscal year 1951-1952 would reach $72. billion while the income from existing taxes would bring in only $58./60. billion. Senator Byrd pointed out that the only answer to such deficit is an $8. billion slash in the federal budget. "Santa Claus must be put in a deep freeze for the duration of the emergency," he said.

Chairman George was quoted in Washington, when the tax bill was received by his committee, that he thought it more likely the Senate will okay a $6. billion tax measure rather than the $7.2 billion measure as passed by the House. He suggested a $6. billion slash in federal spending including cuts in military and foreign aid, coupled with the $6. billion tax boost to meet the needs of the next fiscal year.

The pressure by the President and administrative officers at the time of going to press was centered on the drive to get the measure out of the committee and to a vote in the Senate before the upper House adjourns for its summer recess. Members of the committee, however, had been quoted as saying that the present turn of affairs in Korea warranted a slow-down in the procedure awaiting possible developments.

ACCOUNTING UNDER CMP – The Department of Commerce, National Production Authority, has just announced a booklet entitled "Allotment Accounting for Consumers under CMP". The purpose of this booklet is to help companies operating under the controlled materials plan in setting up the records they will have to maintain in preparing the necessary forms. This booklet may be obtained by applying to United States Department of Commerce, National Production Authority, Office of Public Information, Washington.

On June 19 the House Banking Committee voted down the Administration's proposal for licensing business concerns who come under government price control.

INFORMATION ON MILITARY BUYING – The Munitions Board has changed its ruling regarding military procurement information so that in the future the weekly Commerce Department synopses of contract awards will carry quantity and dollar value information. This ruling, brought about by pressure from Congress, will provide sufficient information so that small businesses can determine who to see for defense sub-contracts.

In the MODERN office

Furniture designers are now coming to the rescue of feminine office workers who complain of the cost of snagged nylons due to rough corners and splinters in chairs. Metal furniture seems to be the answer

and here's a new chair manufactured by Royal Metal Manufacturing Company, 175 N. Michigan Ave., Chicago 1, Ill., of formed steel construction, smooth chrome or enamel finish, and guaranteed to be splinterproof. It is said to be of greater strength and durability against hard office usage, and the adjustable back is an added safeguard to correct posture and better health. However, its greatest virtue seems to be in "stocking insurance" for white-collar girls.

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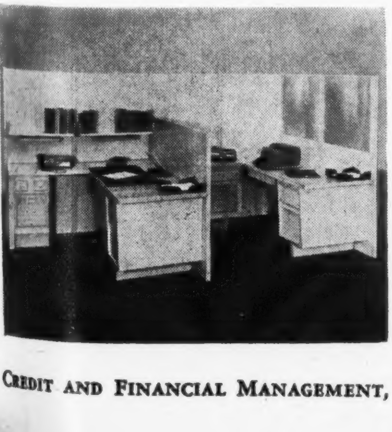
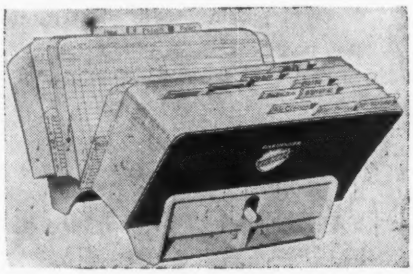
Techniplan, the new development in wood modular office equipment, has just been presented by Globe-Wernicke Company, Cincinnati 12, Ohio. Arrangements are built around desk and center runners assembled with various standard sectional units for letter files, drawing cabinets and



card index cases. Patented interlocking feature facilitates the assembling of units and makes changes possible as required. Units are flexible, demountable and mobile, creating a functional office with maximum utilization of space, and have many features—flexibly arranged work area, filing compartment and drawer space, movable book shelves, concealed waste baskets, electrical connections for integral fluorescent trough lighting, business machines, and telephones. Partition combinations can be arranged to secure semi-privacy or complete privacy. Furnished in all wood and wood and glass in 3 heights. Modular units, including partition sections, have leveling adjustments to compensate for any unevenness in floor. Allows quick reassembly for expansion, change in work flow or removal to new quarters. Globe-Wernicke specializes in laying out offices without charge.

•

A newly-developed simplified stock control system has just been announced by Diebold, Inc. Canton 2, Ohio. Positive control, resulting in a knowledge of what is on hand, when to re-order, what's ordered, and back-ordered, preventing "out-of-stock" conditions, reducing stock to an economical working minimum,



and increasing turnover can all be accomplished, they claim, through the use of this system. Records are punched with 3 keyhole slots and mounted on a bar in a desk tray. When stock balance is down to a minimum, record is offset to the right, signaling time to reorder. When order is placed, it's noted on card offset to left, indicates goods ordered but undelivered. Card returned to center punch when goods received. This eliminates necessity of mechanical signals. The *Cardineer* Desk Tray holds records on bar by keyhole slots avoiding spilling or scrambling. A wide "V" can be opened anywhere in tray to expose face of record for reference, and up to 810 records can be housed in one tray. Diebold will send you their folder "The Hole Story" and sample of records on request.

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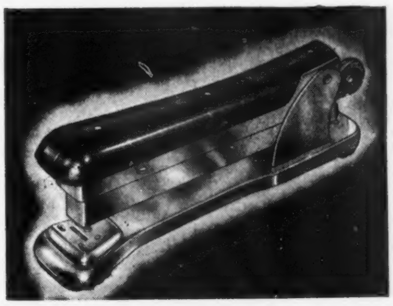
The *Aceliner,* manufactured by Ace Fastener Corporation, Chicago, is a precision-built stapler which tacks, pins and hand fastens as well as staples. The streamlined design fits the hand comfortably, and it is available with a long-lived plastic top in your choice of four colors—red, green, brown and black—to harmonize with all color schemes. The triple-plated chromium base has rubber bumpers permanently affixed to permit the machine to be used on the finest wood surfaces without danger of scratches or mars. The *Ace* staples



for use with this, and the other machines they manufacture, are made by an exclusive process which flattens the precision-made steel wire to give maximum strength on the outer edge where it is most needed. They will fasten up to 35 to 40 sheets of average weight paper. The "set" can be completed with the *Ace* stapler remover in the same plastic molding and color as the *Aceliner.* Sold only through stationery and office supply stores.

•

A new calculating machine, already distributed in 77 countries, has just been introduced to American business by Facit, Inc. American subsidiary of a Swedish manufacturer. *Facit ESA-O* is a fully automatic calculator, equipped to handle the four basic mathematical processes. Chief advantages are simplicity and ease of operation. Controlled by two-bank keyboard with 10 digits, operation is easily learned and by a simple touch system speed can be attained in a short time. Can be operated with one hand, leaving

(*Continued on page 30*)

How to make efficient use of

A Bank Credit Department

by G. KENNETH CROWTHER
Second Vice-President, Guaranty Trust Company of New York

IT is axiomatic that doing business under our complex industrial civilization entails credit, just as blood must course through the human body to sustain its biological functioning. Most executives are accustomed to using their banks for developing information relevant to companies or persons with whom they are doing, or expect to be doing, business, and sometimes they seek specialized information not necessarily pertinent to commercial credit. Executive managements are generally cognizant, through their credit managers or credit departments, of how a commercial bank functions to serve their inquiries.

But some are not, which justifies this discussion. The purpose here is to advise business managements how they and their banks may, for their mutual self-interest, get the most efficient and economical credit service. A minor proportion of inquirers, through thoughtlessness or lack of know-how, do not properly present their cases to the bank credit department, and in consequence the bank is handicapped in developing the kind of information wanted. This discussion is intended for the relatively few unintentional offenders, and even to some veterans whose systems have slipped. Therefore it behooves us to review, in a constructive spirit, a few of the "do's" and "don'ts" which, when observed, enable the bank to help its customer to their mutual satisfaction.

Avoid confusion ——

Be explicit with the subject's correct and full name, street and city address. That is a prime requisite, from the bank's viewpoint. Our big cities have many individuals and firms having the same or similar names, and often this is also true in smaller communities. A recent investigation through my bank concerned a person in a nearby town whom I shall call "Mr. A. B. Smith." The more time our investigator devoted to the case the more confused he became until he realized that there were three separate individuals, all akin to one another, and all living in the same town but at different street addresses. One was "A. B. Smith," a second was "Archibald B. Smith," while the third was "A. Bertram Smith, Jr." To complicate matters further, two of these men had recently moved.

G. Kenneth Crowther has been associated with the Guaranty Trust Company of New York, principally in its Credit Department, since 1936. He was appointed Assistant Credit Manager in 1943 and Second Vice President in 1949.

Born in Lutherville, Maryland, Mr. Crowther was graduated from the University of Virginia in 1932. He has been active in official capacities with various credit groups, is president of Robert Morris Associates, and has served as lecturer on credit subjects at the Vermont Institute of Banking held at the University of Vermont.

Confusion and loss of time can result likewise when corporations have one or more affiliates whose names are identical except for small differences in respective corporate titles. The need for a street and town address should be apparent, especially if a company is little known or is located in a large city.

—— and duplication

Whenever bank, trade or other references are known, these should be mentioned in the inquiry. Their availability to the investigator saves time and expense. If the inquirer has a mercantile agency report in his file or readily obtainable, this should also be indicated so that the bank investigator does not consume time developing duplicate background information and checking high credit, terms, pay record, etc., all of which probably would be included in the agency report. Request should be made for this type of information if it is desired by the inquirer.

Each request for information should include specifically the object and scope of the inquiry. The observance of this cardinal rule en-

ables the bank to know just what is wanted and how it is to be used and, accordingly, its investigation can be conducted in a manner designed to bring out the information that will be most helpful to its customer. Strangely enough, although this rule is one of the most important to observe from the standpoint of the inquirer's ultimate benefit, it is the one least observed by him. It should be apparent that a general inquiry will elicit a general reply, which in many cases is of little or no value.

Let us suppose that the inquirer contemplates an extension of credit to a new customer, or possibly has received an order from an old customer which will involve a much larger amount of credit than he previously had been granted. The approximate dollar amount of the transaction should always be mentioned since what might be an unimportant amount for one company to handle may be entirely too large for another. An intelligent and helpful opinion cannot be expressed unless the nature of the transaction is known.

Mention amount of order

Possibly the inquirer intends placing an order for supplies of a certain type and dollar amount. The supplier's financial responsibility would be important but of greater interest would be an opinion as to his reliability, general reputation and ability to perform under that particular order. Conceivably, an order of the size under consideration might be far beyond the capacity of the client or might be completely different from the company's normal products, all of which would be of interest and probably would not be learned through a request for information regarding merely "general reputation and financial standing."

Some time back we received a letter from an out-of-city customer, who expained that he had placed an order with a small New York firm for office equipment. A check for the full amount accompanied the order, but neither equipment nor replies to several letters had been received by our depositor. Discussion with the New York firm's bank failed to throw any light on the reason for the lack of action although, if our customer had not told us specifically what he wanted to know, the information obtained would probably have been considered sufficient, since it was all favorable. Discreet inquiry by our investigator produced information to the effect that the office equipment firm had been deluged with orders, one of the principals had been ill for a period of time, and the office force, such as it was, had been unable to straighten things out.

My bank was told that the prospects looked good for clearing things up soon. This information was passed on to our inquirer, who was much relieved to have it and he ultimately advised us that the equipment had been received. We were able to do a good and a helpful job because our customer went to the trouble to explain his problem exactly.

No identities disclosed

No doubt some of the failures to give full information to the bank concerning the scope and object of inquiries arise through the inquirers overlooking the fact that the bank, in its position as "middleman" in the interchange of credit information, is very careful not to disclose the identity of the inquirer or the source of the information. At the same time, the bank investigator phrases his questions so that he can obtain an expression of opinion concerning the transaction inquired about without necessarily giving out the specific details, which might permit identity of the inquirer becoming known. It should also be borne in mind that banks, trade houses and others are to some degree suspicious of these "general inquiries," since they do not know what is behind them. Frank disclosure of the reason for the inquiry usually brings a frank and helpful reply.

Use of form letters should be avoided. A form letter does not imply the importance of a specially written letter, and it does not engage the highest degree of interest on the part of the recipient. Some companies grind out great numbers of form letters, on which are typed, in a careless way, the names of the subjects about which information is desired. In too many cases, the preparation of these form letters is so hasty and careless as to carry incorrect titles, street addresses, etc. This is suggestive of an indiscriminate revision of files for credit purposes, which should not be indulged in. Long lists of names for credit checking are burdensome, particularly when, as so often happens, many of the names are located in the same city and it thus becomes necessary for one correspondent bank in that area to be overburdened with all of them.

Banks give specialized information

Some business houses apparently follow the practice of bringing up the names of all their customers for periodical revision at a set time each year, regardless of what the customer's record has been for the previous year or how much business has been received. If it is deemed necessary to revise all names once a year, the list shoud be split up for attention over a period of time so that they are not all reviewed concurrently with the banks. In many instances a bank revision is actually unnecessary and sufficient information for credit purposes could be obtained through the ordering of an up-to-date mercantile agency report.

It is in the field of special investigations that the bank credit department is best able to help its customers. Through its wide connections, prestige, and experienced investigating personnel, the bank is in a particularly advantageous position to obtain information that is outside the field of the usual credit checking. Examples are industry surveys, commodity studies, prospects for a certain type of business, and close information regarding individuals. This type of service requires ample time to process and naturally cannot be completed in the short time that most customers have come to expect as rountine in connection with the usual type of credit report.

One should not broadcast the same inquiry to several banks in the same locale unless the letters of inquiry indicate the names of the other banks addressed. An identical letter of inquiry directed concurrently to several contiguous banks causes much duplication in time and effort. Assuming that they are all

(Continued on page 40)

The Theory and the Facts of

Credit and Financial Terminology

By Edward O. Kallmann
Credit Manager, Wheeling Corrugating Co., Long Island City, N. Y.

WHILE this subject may, on the surface, appear rather dull, there is a great need among credit executives and business men generally, for a clear understanding of the theory and facts behind financial phraseology in ordinary usage.

Today credit executives are looked upon as business doctors, and their advice is sought by many businessmen. Hence, they should be well informed on financial subjects.

In reading and analyzing financial statements, the examiner is apt to skim over assets, liabilities, capital and surplus, as well as income and expenses without stopping to consider the implications behind each item.

I will begin by discussing some Balance Sheet items:

Importance of accounts receivable

It should be remembered that any business aside from the primary motive, profit, is interested in liquidity. The fact is sometimes overlooked that accounts receivable are closer to conversion to cash than inventory and other current assets. In ordinary trading, inventory must first be converted into accounts receivable before cash is realized. Hence, accounts receivable are of primary importance and should be given more consideration than inventory.

Ordinarily, a factor can be described as an agent who sells goods for a principal and has possession of such goods, as differentiated from a broker, who is also an agent, but does not have possession of the goods. However, factoring has been

expanded to include acting as an agent in credit checking and financing. Possession or control of accounts receivable by lien results. Hence, factored accounts receivable are removed from general creditor's control.

We hear the word "over-inventoried" used continuously in periodicals and newspapers. There are in my opinion, only two reasons for having excessive inventories (1) scare buying in a period of impending shortage and (2) lack of judgment on the part of the buying organization. While in a period of scarcity, heavy buying can be advantageous, consideration must be given by the buyer, of the financial capacity of his company to absorb this heavy inventory load. Disaster can be averted by quick turnover, but in the event of any slow down in sales, following a heavy buying period, the under-financed company is heading for trouble. Even in times when goods are plentiful, those companies without capable management can succumb to heavy and inefficient buying. Hence, in evaluating a company's financial standing the relationship of inventory to other current assets as well as investment is an extremely important factor.

Operating cycle

An "operating cycle" of a business is the period intervening between the acquisition and the time of subsequent realization of items acquired for conversion into cash in the course of ordinary operations. Thus, an operating cycle will cover the period from the original purchase, subsequent sale and collection of the account.

A supplementary statement, that in my opinion is not used widely enough, is a statement showing the details explaining the reasons for a change in working capital. This statement will reveal what proportion of profits are retained in the business; whether additional investment has been made; whether excessive purchases of capital assets have been made to the detriment of working capital and whether long term obligations are being amortized too rapidly. It would be well for credit executives and management to learn how to prepare these statements to supplement balance sheets submitted.

Investments

It is advisable to analyze an asset of this kind because the question of

liquidity arises. There are three possible classifications of investments. (1) Marketable securities. (2) Miscellaneous Investments. (3) Investments in subsidiary companies.

The first mentioned obviously should contain those securities for which there is a ready market. Valuation should be shown on a balance sheet at cost but with a notation as to present market value.

The second would contain those securities purchased with the intent of retaining them over a long period for income. These also should be listed at cost with market value indicated.

Investments in subsidiaries are for the most part a long term investment and cannot be considered in an evaluation of the liquidity of a business. There are two methods of displaying this asset: (1) at cost; (2) book value of the subsidiary's capital stock so as to reflect profits and losses of the subsidiary on the books of the parent company.

Contingent assets represent for the most part claims against others that at the moment cannot be ranked as actual assets, but have sufficient basis to warrant the expectation that they may materialize and be of value to the company. Examples are claims against the government for overpayment of taxes, or a law suit against another, the result of which appears favorable. These items are not displayed in a balance sheet but their existence should be disclosed.

Contingent liabilities on the other hand are not actual liabilities but a possibility exists of their becoming liabilities at some time in the future. Such possibilities include Discounted Notes or claims against the company in process of litigation.

Funds—sinking funds

A fund is the segregation of a portion of the assets of a corporation from the other assets of the corporation, such segregated assets having been set aside for a particular purpose. Funds, therefore, cannot be considered as liquid assets by the creditors because of the company having set apart these assets for another purpose. If the funds, however, remain under the control of the corporation, they are not removed from credit participation in the event of liquidation. Funds can be set up for any purpose, pensions, new building, or any other project, where an actual setting aside of cash or other assets is desirable.

A sinking fund is created, however, for the specific purpose of paying a bonded or other debt at maturity.

Under classification of deferred charges in a balance sheet you will usually find prepaid expenses or expenses that should be proportionated. There seems to be a difference of opinion among accountants with regard to items of this nature. One faction contends they should be included in current assets, while others feel they should continue to be carried under the classification "deferred charges." I lean toward the latter theory on the grounds that an operating business cannot look to prepaid expenses for conversion into cash. This conversion usually only takes place in a liquidating business. Credit executives have not and in my opinion should not give any consideration to deferred charges in evaluating the liquidity of a going concern.

Reserves

The subject of reserves is an interesting one. There is a tendency today to get away from the promiscuous use of the word "Reserve." In the past and to a great extent presently there are three uses of the word. (1) A valuation reserve, (2) liability reserve and (3) surplus reserve.

The common valuation reserves are "Reserve for Bad Debts" and "Reserve for Depreciation." This type of deduction from asset value is not a reserve in the strict sense of the word but a provision for or an estimation of the reduction in value of the asset. It is preferable to call the deduction from accounts receivable "estimated losses in collection" and in the case of depreciation "provision for depreciation."

The second place where you will find the word Reserve mentioned is in connection with an estimated liability such as "Reserve for Income Taxes." Again, this is not a reserve but a provision for estimated income taxes and should be so named and included in Current Liabilities on the Balance Sheet.

Surplus Reserves are the only true reserves. These surplus reserves are appropriations or transfers from the Earned Surplus account to make that portion of Earned Surplus unavailable for dividends. By thus segregating a portion of Earned Surplus, assets are conserved for the purpose for which the Reserve has been set up. Typical Surplus Reserves are Sinking Fund Reserve, Reserve for Improvements, Reserve for Contingencies. Accordingly a Surplus Reserve is merely appropriated earned surplus and remains a part of the net worth of the corporation. When the purpose for which the reserve has been set up is accomplished, the amount in the reserve may be transferred back to Earned Surplus.

Secret Reserve—While you will not find a secret reserve listed on a balance sheet as such, it may nevertheless exist in that it is generally speaking the undervaluation of assets or the overvaluation of liabilities. The undervaluation of assets may be deliberate because of a conservative policy of depreciating Capital Assets more rapidly than the life of the asset would justify. On the other hand, the overstatement of liabilities is more apt to be deliberate, and with the intent to defraud a taxing authority or to induce stockholders to sell their stock at a lesser value than true book value.

Surplus

There are two types of Surplus; Earned Surplus and Capital Surplus.

Earned Surplus obviously results from retained profits.

Capital Surplus on the other hand represents profitable transactions or adjustments in the corporation's own stock. Typical examples and sources of Capital Surplus are (1) Premium on issuance of Capital Stock, the excess received over par value representing Capital Surplus, (2) Stock Donations, (3) Surplus created from appreciation of capital assets, (4) discount on purchase of Treasury Stock.

As a general rule Capital Surplus is not available for dividends.

There are various restrictions that may be placed on Earned Surplus, preventing distribution of the restricted portion to stockholders. Two of the common restrictions are (1) because of a provision in the trust agreement covering a bonded indebtedness and (2) a restriction

to the extent of the purchase of treasury stock. This latter restriction is imposed primarily for the benefit of creditors, the theory being that if surplus funds are used for the purchase of the corporation's own stock, distribution of profits should not be made to further deplete assets so far as creditors are concerned.

Dividends

Dividends are usually paid in Cash or Capital Stock.

Prior to the declaration of a cash dividend a Board of Directors should give consideration to various facts. (1) Sufficient cash should be available for distribution to stockholders. Borrowing to pay a divident is poor policy. (2) An Earned Surplus must exist. (3) Consideration must be given to the immediate and future needs of the business. (4) A corporation may be following a conservative dividend policy so that a steady dividend rate may be maintained under all ordinary business conditions.

A stock dividend is payable in additional capital stock and is usually declared so as to conserve cash for expansion purposes.

Sources of corporate funds from within the organization:

(1) Through retained profits. While a dividend may ordinarily be declared in an amount that will give a stockholder an immediate fair return on his investment, it is well for a company to retain a substantial portion of its profits for expansion. (2) By sale of capital assets. This is sometimes accomplished without losing the use of those assets by selling the capital asset and leasing it back under a long term lease arrangement.

From without the organization:

In securing corporate funds from outside sources consideration should be given to the fact as to whether the need is for a short or long term. If for a short term there are various sources. (1) Credit from suppliers, (2) discounting of customer's paper, (3) trust receipt arrangement, whereby a bank accepts a negotiable bill of lading with draft attached on behalf of the purchaser. The bank then has legal title to the goods and upon the execution of a trust receipt by the purchaser the goods are released. Proceeds of the sale of the goods must be turned over to the bank to the extent of the obligation. (4) Short term loans from banks with interest bearing notes or discounting the company's own non-interest bearing notes. These loans can either be unsecured or secured by pledge of assets.

Long term funds are secured either from stockholders by the issuance of additional stock or by the issuance of long term notes or bonds.

A bond issue may result in the sale of the bonds either below or above par value. In the case of the former a discount results, in the latter a premium exists. These discounts and premiums are in effect deferred charges and deferred credits and should be amortized over the life of the bonds.

In selling bonds at a discount, the cost of the borrowing is increased but in spreading this expense over the life of the bonds it becomes necessary to carry as a deferred charge an "Unamortized Bond Discount" account which should be shown in the Balance Sheet in the Deferred Charge classification. The opposite is true in connection with a Bond Premium. Each period over the life of the bond the income applicable to the period should be segregated from the total Premium. The balance of "Unamortized Premium on Bonds" is carried on the balance sheet as a Deferred Credit. The net effect of a premium on bonds is a reduction of the overall cost of borrowing.

Methods of development

Corporate organizations are usually classified as "Single Unit Procedure" or "Multiple Unit Procedure." The former, in the expansion of its activities develops new undertakings as parts or branches of the enterprise already existing. You will find examples of this type in corporations who operate various divisions. This organization has but one fund of assets to which creditors can look for payment.

In the multiple unit procedure, however, a separate corporation is organized for each undertaking, thus taking advantage of a limitation of liability. Thus the risk of a new enterprise does not attach to the entire fund of assets.

In this instance a creditor can only look to the assets of the corporation to whom credit is extended. It is well, therefore for a credit or financial officer to examine carefully the responsibility of the individual corporation instead of being lulled into a false sense of security by being overwhelmed by the magnitude of the consolidated organization.

Accordingly Consolidated Balance Sheets have very little value when credit extension is being contemplated to one corporate unit. Only by examining the financial statement of the individual corporation can a credit officer be assured that he has the proper information to decide whether credit is justified.

In this connection the question of the value of corporation guarantys arises. As a general rule a Corporate guaranty will not be recognized in Court on the theory that the stockholders will ordinarily derive no benefit therefrom, and further that the purchase of stock by these stockholders did not contemplate the additional risk involved in the execution of the corporate guaranty. Hence, corporate guarantys should not be depended upon to any great extent in granting credit to an affiliated corporation.

Mechanics liens

A mechanics lien is a legal claim on property as security for payment of compensation for work done or to suppliers for materials furnished in the construction or alteration of real estate. The credit executive can view differently credit extended where protection can be secured by filing a mechanics lien. Careful consideration must be given to the time of filing. The law of the State in question must be examined as to the period in which a lien may be filed. In New York for instance, a four-month period is allowed dating from the last shipment of materials or work done.

If an indebtedness is to be paid in installments by a series of notes it is important that the notes contain an acceleration clause, which states in effect that the note is one of a series of notes and in the event of default in any one note, all the notes then outstanding will become due immediately. This eliminates the inconvenience and possible loss resulting from ordinary notes which would require waiting until each note ma-

(*Continued on page 40*)

Some common interests of

Our Two Associations

by CLARENCE E. WOLFINGER

President, National Retail Credit Association, Credit Manager, Lit Brothers, Philadelphia

THE old story of Macy's withholding information from Gimbel's seems to be understandable when we consider the attitudes which existed some time ago between our credit associations. As a matter of fact, even at the present time, when one mentions the National Association of Credit Men, it is referred to as a "wholesale" organization. When we mention the National Retail Credit Association, the name implies "retail" because it is a part of its name. Both organizations have the same objective, which is the safeguarding of credit. The constructive work of one is sure to benefit the other. The efforts of both associations to raise the standard of ethics have unquestionably resulted in a general uplift in the entire credit profession.

When the National Association of Credit Men was organized in 1896, ledger experience was considered a sacred asset not to be divulged to competitors. The first big job which it did was to discredit this theory and inaugurate the practice of the free exchange of ledger experience. This custom, now firmly established, undoubtedly had an early influence in developing closer cooperation among credit grantors in the retail field. Today, the National Retail Credit Association has gone a step further, for its members through the local retail credit bureaus submit schedules of delinquent accounts and profit and loss accounts, and this information is made available to all members. The procedure has been so systematized and the cooperation is so complete that some credit departments consider it good practice to open an account when

Clarence Wolfinger practices what he preaches—cooperation between retail and wholesale credit executives. He is now president of the retail credit men and has served the Credit Men's Association of Eastern Pennsylvania in most capacities and is a past president. He was general chairman of the 1949 Credit Congress in Atlantic City.

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there is no adverse information in the files of the bureau.

The routine and sources of information do vary but in the final analysis all credit departments, both wholesale and retail, are after the identical combination of facts—who he is, what he has and how he pays his bills.

Associations' product

Credit associations are not primarily social organizations but they are a society within themselves, in that they meet for friendly and intimate discussion of mutual problems. This may be on the street, in the office, or at meetings such as this. These credit associations have officers, directors and employees, just like our large business enterprises, and just like them, too, they manufacture a product.

This product is well diversified. It is, for instance, a better understanding between members themselves, and between members and the general public. These associations create a fraternity within their own ranks and reflect this spirit to others who may be thus attracted to their cause. They hold meetings to discuss improvements within their own industry, to pass on to each other the knowledge toward a better acceptance of their product. They constantly try to improve the product, which includes for the most part services. They gather items of interest and distribute the good things among members and the general public. They get together in meetings and address each other as "Bill" or "John". They publish copies of interesting talks, articles, monthly magazines, booklets and pamphlets. They send out informative notices and gather statistics and other information dealing with their product.

They endeavor to maintain a uniform standard in what they are selling. To this end they urge the passage of legislation to protect the interests of all creditors as well as work toward the correction and modification of existing legislation. They establish codes of ethics and standards of practice under which their members are asked to operate.

The objects of our credit associations are legislative, judicial and

administrative. We attack, if need be, and defend ourselves when necessary.

Common interest

There is a common interest to both of us—The National Association of Credit Men and the National Retail Credit Association. Maybe we can break down the old adage of Macy's and Gimbel's and accomplish the Miracle of 34th Street. We should definitely move in that direction. Certainly we are mutually interested in most things which affect credit, so let us find a way in which we can bring these common interests together for the benefit of all.

Perhaps the best way to start this kind of an operation is at the local level and let the other activities filter through from there by saturation until they reach the national level. Here are a few things we might do:

In most cases, we have two local associations. These associations, at least once a year, can have a joint meeting, or if not a joint meeting, certainly the one group can be invited to take over the meeting of the other and vice versa—just for one time, or the meeting of one association might be dedicated and devoted to the interests of the other.

How they do it in Philadelphia

As an example of what can be done to weld all credit managers into a community group at the local level, you will be interested in what we do in Philadelphia. Here we have the most friendly relations between the two associations. The secretary of the Credit Men's Association of Eastern Pennsylvania has been for several years a director of the Philadelphia Retail Credit Managers Association, and the manager of the Philadelphia Credit Bureau is a director of the Credit Men's Assocation of Eastern Pennsylvania. A retail department store credit executive is at present a director of the Credit Men's Association of Eastern Pennsylvania.

Once a year the credit associations in Philadelphia and nearby New Jersey charter a boat for an evening of fun and frolic. The proceeds are used for furthering the educational activities and the Permanent Home Fund of the Credit Men's Association of Eastern Pennsylvania. Just think of that for a moment. All the retail associations in the city and vicinity have joined for several years in promoting this yearly activity but the excess of sales over expenses is used by only the one association for two of its activities: A Credit School scholarship and the future home fund.

I don't have to point out to you the wonderful spirit of cooperation throughout the city that exists from which all of us benefit. Credit information sources work as a complete unit in Philadelphia.

Legislative matters

Certainly there is a great deal of combined effort that can be done in a legislative way. It seems to me that our imagination would outline how this can be done. Regulation W, for instance, does not affect only retailers. It affects distributors, it affects manufacturers. It also affects the sources of raw products. The par collection of checks is not a matter for wholesalers or manufacturers alone. Retailers too are interested in this.

We cannot think of legislative measures without developing our interest in national affairs. We in the credit business do not exercise concerted effort to protect our interests as a whole. Contrast the position of labor in relation to its demands on the lawmakers as compared to the efforts of credit grantors. We could well be more united.

We are interested in controls of all kinds. Many of our efforts have overlapped, which has resulted in an effort directed in three or four ways, which might be well combined into a greater effort in one direction. A sound economy is vital to all credit grantors and the best results can only be obtained by unified action.

Yes, we are interested in education. We are interested in the education of our credit executives and in the education of the public in general to a better understanding of credit. The recent acceptance of the members of the National Retail Credit Association into the Executive School of Credit and Financial Management, at Dartmouth College, sponsored by the National Association of Credit Men, opened the doors to more complete cooperation in education for the future.

The National Retail Credit Association held open house on April 12, 1951, in celebration of occupying their own International Headquarters in suburban St. Louis. The first visitor to register on our guest registration book was your own Henry H. Heimann.

U. S. Chamber of Credit?

We are each interested in better practices and better understandings between all classes of credit grantors. We know there is competition, and we welcome it, but in the competition we still want to preserve the proper use of credit and learn of the other fellow's problems. Nothing could be more helpful toward our cause than a good public relations job. We will need the publicity and public support which come from intelligent treatment of credit and collection problems.

The item of expenses and cost comparisons is something that interests every credit executive. Just a matter of comparison of costs is interesting. In these times, increasing costs and increasing service demands bring problems about which we can be mutually helpful.

We are interested in all credit associations. We are interested in attracting new members. We would like more members to know more about what you are doing, and I would like more of your members to know what we are doing. Together we can accomplish a great deal. We can—through combined efforts—create a United States Chamber of Credit.

Business Books

How to Pick Leaders. By G. L. Freeman and E. K. Taylor. Published by Funk & Wagnalls Co. New York 10, N. Y. 225 pp. Price: $3.50.

The problem of deciding on promotions in a business organization should not be perplexing. Here you will find a discussion of such questions as (1) qualities necessary in top executives (2) analysis of characteristics and personality types which inspire confidence and loyalty, (3) job aptitude and proficiency measures, and others which will aid in determining which employee may be deserving of promotion.

Some thoughts on the economic facts of life, particularly on

Inflation and Credit

by J. A. WALKER
General Credit Manager, Standard Oil Company of California, San Francisco

RECENT history has provided abundant evidence of the ravishing nature of inflation. In Europe and Asia, where the productive energies of so many countries have been spent on armaments and war, currency depreciation has become a widespread malady. Its ravages have destroyed the life savings of hard-working peoples. Insurance protection has been wiped out, and those who lived on fixed incomes have been impoverished. Inflation has stalked every nation at war; and the United States, although more fortunate than most countries, has not entirely escaped.

For a decade now this threat has hung over our economy. At the close of World War II conditions were ripe for inflation. Consumers, businesses, State and local governments, and other purchasers were once again bidding freely for all kinds of goods and services, especially those which were generally unobtainable during the war years. Only the huge and expanding production in the economy prevented a more severe price spiral.

In 1949 it seemed as if the danger were past, but early in 1950 the inflationary pressures reappeared. Then came the war in Korea and these pressures were suddenly increased. The country immediately embarked on an extensive program of rearmament and military preparedness, a program that may well carry on for many years. It is now evident that as long as the economy produces war materials in large volume the inflationary forces will persist.

The author believes that keeping the field organization, both sales and credit, informed on economic trends is an essential part of sound credit administration. Among the methods he uses to accomplish this end is a series of letters on economic matters. This article is a reprint of one of the author's letters sent to the sales organization of Standard of California March 8. Mr. Walker is a director and a past president of the Credit Managers' Association of Northern and Central California and vice-president of the American Petroleum Credit Association. Note again that this article was written in March.

Sources of Inflation

Inflation, in its simplest terms, means rising prices. It stems from an expansion in demand without a corresponding increase in the available supply of goods and services. Almost inevitably this expanding demand is accompanied by and, in fact, made possible by an expansion of money or purchasing power. War and preparation for war are, of course, notorious breeders of inflation. War always creates, on an enormous scale, an immediate demand for materials and services required to produce armaments and to supply military forces. As a result, a large part of the nation's production is diverted from the civilian market to the armed services.

This war-born expansion in demand is customarily financed by Government borrowings, largely through the sale of securities by the Treasury to commercial banks. Such deficit financing adds to the money supply—the means by which the demand for goods and services is made effective in the market place. It is this expansion in the supply of money that is frequently identified as the cause of inflation.

Deficit financing by the Treasury, however, is only one of the sources of inflation. Spending in excess of current income by businesses and consumers can be just as inflationary as bank-financed Government deficits, particularly when such spending increases the money supply without a like increase in the output of goods and services. During the past year this borrowing has reached large proportions. Businesses have increased their borrowings from banks to finance inventory accumulation and capital equipment. Consumers likewise have contributed to the inflationary pressures by purchasing housing, automobiles, household appliances, and other such goods in large quantities by means of bank credit. This expansion in bank loans creates new funds which are used to bid for the available, and often diminishing, supply of goods.

In brief, the abrupt increase in market demand in recent months has

resulted from Government expenditures on armaments and other materials for war and from sharply increased business and consumer expenditures.

Changes in the economy

Industry is now booming as it has at no time since the war. Industrial production is currently about 20% higher than a year ago and is approaching the peak levels of the war years. While manufacturing production has risen rapidly in response to the expanded demand, the gain in total output in the economy as a whole has been of smaller proportions. In agriculture, for example, production cannot be increased immediately. It takes almost a full year to plant and harvest new crops. It also takes about three years to add materially to the supply of livestock. Therefore, the spectacular gains in industrial production have been considerably greater than in other segments of the economy.

Federal Government expenditures are currently estimated at an annual rate of $50 billion—up nearly 25% over a year ago. In January of this year department store sales were about 30% higher than the like month of 1950. Housing, automobile, and appliance sales are at record highs. Business inventories are 20% higher than a year ago. The increased tempo of Government spending and the higher level of consumer and business buying have been accompanied by a general rise in prices. Already commodity prices exceed the peaks reached in 1948.

Agriculture income has made a quick comeback. During the first half of 1950 farm income lagged 9% behind the prior year. By the end of the year the total was nearly equal to 1949.

Bank credit has risen substantially. Since the outbreak of the Korean War there has been an increase in total loans at banks in leading cities of approximately $4 billion.

Nearly all business indexes point to a heightened business activity born of war and rearmament. The problem of building armed strength and at the same time preventing runaway inflation will present control difficulties far more serious than during the last war. History brings a sharp reminder that no nation permitting uncontrolled inflation is likely to save its social order.

The measure of inflation

The degree of inflation is determined by what the currency will buy in comparison with former values. As measured by the Bureau of Labor Statistics' wholesale commodity price index, with 1926 the base year, the purchasing power of the dollar has ranged widely over the past one hundred years.

In 1897, before the Spanish-American War, the dollar represented $2.16 in purchasing power. In 1914, prior to the outbreak of World War I, it was equivalent to $1.48. In 1920, after the war, it had dropped to $0.64. At the beginning of World War II it was $1.30, afterwards falling to $0.61 in 1948. In June of 1950 the dollar was valued at $0.64. Today it is about $0.58.

Controls

To combat the growing inflationary pressures the Federal Government has already imposed a number of controls. In August, 1950, the Board of Governors of the Federal Reserve System encouraged an increase in short-term interest rates by raising the rediscount rates to member banks. In September and October Regulations W and X were resurrected and revised to place curbs on installment and housing credit.

As bank loans continued to rise, the Federal Reserve Board increased the reserve requirements of member banks by two percentage points. This action taken at the close of the year will have the effect of raising the required reserves of member banks by $2 billion. The way the reserve banking system works this $2 billion might otherwise become the basis for a $12 billion increase in total available bank credit. Margin requirements for stock purchases were raised a short time later from 50% to 75%.

Additional taxes have been levied to pay the mounting war and defense costs and to drain off excessive purchasing power. The corporate tax rate has been raised from 38% to 47% since the Korean War started. The top in World War II was 40%. The highly controversial excess profits tax has also been adopted. Individuals have had one boost in the tax rate and will very likely have another before the year is over.

Some freeze orders were issued on prices and wages in the automobile industry in December. Since then the Economic Stabilization Agency has been gradually establishing general price and wage controls. Price and wage ceilings, however, are in the nature of palliatives, since they deal with the effects rather than the causes of inflation.

Despite these control measures we cannot expect that the inflationary trend can be completely subdued. In fact, the most we can hope for at present is that price increases will be orderly.

Credit significance

The inflationary trend is highly significant to credit management. This year will be marked by inevitable dislocations and adjustments as our entire economy is put on a semi-military basis. Under these conditions the necessity for keeping credits in a sound and current condition is clearly evident.

While generally most businesses should do well in 1951, a sizable number will suffer from material shortages and restrictions of various types. It is important in credit administration to determine how individual customers will be affected. Financial analysis is all the more necessary, and in some ways it will become more difficult. Profits may be misleading because of inventory fluctuations and replacement costs. Profit margins will also be thinner in those businesses where costs rise faster than revenues. Shortage of working capital will be a common complaint.

As we have already discovered, the tax load will be heavier on both businesses and individuals in the year ahead. These high taxes, direct and indirect, will affect our customers in many ways. Taxes will cut into anticipated profits, reduce cash, tend to weaken the working capital condition, and add more costs to the operating budget of a business. Some customers will fail to set up adequate tax reserves; others may be caught off guard by retroactive tax increases. Such taxes will undoubtedly draw on the cash available to pay other creditors.

Bankruptcies in which tax liens play a large part will adversely affect the position of other creditors, for higher taxes will result in larger liens by the Government in these cases. A recent court ruling holds

that a properly filed lien for delinquent taxes takes first priority in the event of liquidation.

It should be recognized that an economy with inflationary trends does not necessarily mean that business will follow a steady upward trend. Unbalanced conditions will at times occur in a complex economy regardless of prevailing trends. Speculative excesses, for example, can go too far, and there could be deflationary setbacks even though the underlying forces were generally inflationary. Such reversals strike the marginal and submarginal businesses that are temporarily riding the crest of inflation. Inept and unseasoned executives who rise swiftly to the top as a result of such conditions are frequently unable to cope with temporary crises. In brief, inflation is deceptive. It breeds carelessness and inefficiency and gives a false sense of security to the business world. It is easy to miscalculate its effect in making business decisions. Some of our customers will have difficulties. There will be an increasing need for alertness to their problems and for continued analysis in connection with extension of credit to them.

Conclusion

While runaway inflation is a threat now, and may be for years, the danger can be minimized by increased production and greater efficiency everywhere in the economy. The situation does not warrant pessimism for the future. Inflation can and undoubtedly will be controlled, and through an awareness of its effects we can do a sounder credit job and also be of assistance to our customers.

Sound credit administration now, as always, is dependent upon obtaining the facts in connection with a specific customer and in making decisions based upon the analysis of those facts. Avoid the kind of thinking that presupposes any customer or any group of customers is entitled to credit or not entitled to credit because of general economic trends. Avoid any thinking that an economy which greatly expands the amount of money in circulation will collect your accounts for you. Collection will always be dependent upon individual ability to pay, and understanding of terms, and then asking for the money in line with those terms.

Freedom's War on Waste

By T. COLEMAN ANDREWS
President, American Institute of Accountants

WHAT times these are in which we are living! The second world war only six years behind us and the rumblings of the third already audible! Big business — big government! Agricultural and industrial capacity more than twice what they were only twenty eventful years ago.

Remarkable, we say—and so it is. But we need it, for government has become—or rather, it has been made —*eighteen times bigger,* and we stand pitted against vastly greater numbers though fortunately less production capacity, in the threatening struggle for world leadership.

But as colossal, clumsy and inept as it is, this big government is *our* government — yours and mine; whatever happens to it—whether it succeeds or fails—you and I will be responsible. Though not as much so as millions of us would like, it still is a government of free people. It will remain so, however, only as long as you and I—its citizens —recognize and discharge the obligations of freedom as readily and enthusiastically as we avail ourselves of the privileges of it.

The challenge with which we are confronted today is not something new; it has been developing for years. From its first appearance right down to the present moment, the all-important question has been, and is, will we be ready?

Will we be ready?

Congress saw the need and finally moved to do something about it. And so, three years ago, leaders of both political parties agreed that the government must be re-organized to eliminate duplication and overlapping; cut red tape and reduce waste. Unanimously Congress passed the Lodge-Brown Act creating the Commission on Organization of the Executive Branch of the government, The Hoover Commission,

T. Coleman Andrews heads his own firm and is also a member of Bowles, Andrews & Town, actuaries and pension fund consultants. A certified public accountant, he has served the AIA in almost every capacity. When he passed his CPA exam he was the youngest man ever to pass the test. He has had a distinguished career in both private and government accounting and in 1947 received the Institute's annual award for outstanding service to the profession through service to the public.

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consisting of six Democrats and six Republicans.

300 of the nation's foremost experts worked two years. More than 20 task forces dug up 2 million words of facts and figures and made over 300 recommendations to speed up government action, use manpower and materials wisely and get ready for every task of peace or war.

The findings

The Commission found that we were wasting one dollar of every 10 that we were spending. That was to be expected of a government which in 22 years of depression, war, emergency, and cold war had expanded from 570,000 to 2 million employees; from 100 to 1812 departments, agencies, boards, bureaus and commissions; from a budget of \$4 billion in 1928 to \$45 billion in 1948 (\$71 billion requested for 1951). Yes, even before today's crisis, the cost of the federal government had risen from \$240 a year per average American family, to more than \$1,200 per year. (Today it is over \$500 for every man, woman and child and over \$2,000 per family.) One dollar in every 10 was being wasted and could be saved *without eliminating any essential service.* In fact every service actually could be improved. For example, the Commission found:

- 29 different agencies engaged in making loans;
- 28 engaged in handling welfare projects;
- 16 engaged in preservation of wild life;
- 50 engaged in compiling statistics;
- 24 supervisors for 25 employees in one unit of the Veterans' Administration;
- Post office employees doing the same job, often in the same building, at different rates of pay;
- Swarms of overlapping agricultural agents in every U. S. county;
- Hidden subsidies;
- Interest-free loans of nearly \$1 billion to farmers—surplus funds of agencies invested in government bonds;
- The Central Arizona Project. Did you ever hear about it? It's hidden away in that \$71½ billion-dollar budget we are currently being asked to swallow.

The Citizens Committee for the Hoover Report was organized because popular support of the Com-

mission's Report was essential. There are 300 State and local committees from coast to coast. This Citizens Committee has proved that ordinary and unselfish citizens can get things done in Washington when they really set their minds to it, for

"thanks to the unselfish efforts of the membership of the Citizens Committee, about 50% of the Hoover Commission's recommendations have been approved. 20 public laws and 26 presidential re-organization plans were adopted by the 81st Congress. Savings of no less than $2 billion a year—probably much more—will result.

"More important than that, the government today is operating more smoothly than it was a year ago. Among the chief products of the Commission's work to date are:

1. Strengthened lines of authority and responsibility in 17 major, and many smaller, agencies covering two-thirds of the Executive Branch;
2. True teamwork in the armed services under the Unification Act of 1949;
3. Improved purchasing, storage, records management and building procedures;
4. A modernized budgeting and accounting system;
5. Greatly strengthened internal organization of the State Department;
6. Rebuilding of the Labor Department to cabinet stature.

Scores of lesser improvements also have been adopted."

The savings

Though the savings may seem small in relation to present budget figures, "every little bit helps," and see what these savings will buy, even at today's inflated prices:

- 1,000 medium tanks;
- 1,000 jet fighters;
- 25 carriers of the Midway class;
- 100 heavy bombers;
- 50 modern submarines;
- 100 anti-aircraft guns.

In addition, the re-organization already carried out is revealing new extravagances:

- 93 years' supply of fluorescent light tubes;
- 247 years' supply of loose-leaf binders;

One major agency did away with 209 inter-departmental committees;

Another changed its review procedure and saved 1,259,488 man-hours of work per year.

One authoritative reviewer of the situation says that "If the Military Unification Act of 1949 were its only achievement, the Hoover Commission would have been justified a 100 times."

What do we do next?

Well, that's only a sketchy review, of course; but its as much as my allotment of time will permit. We're on the 50-yd. line. What do we have to do in order to hold onto the ball and get it over the goal line?

The answer to the first part of that question is that we must keep driving, of course. But let's deal with that later. Let's talk about some of the more important plays that we've got to run from here on in.

1. ***Modern personnel management***

This problem we must solve, because it is in manpower that we are inferior to the nation that presently threatens us. We are far superior in agriculture, industry and science, but in sheer number of people the communist countries outweigh us heavily. We cannot waste manpower, therefore. Certainly the government, that is supposed to protect us, should not. There are presently more than 2 million government employees—***more than are on the payrolls of the nation's 50 largest corporations combined***—and the number is growing daily. Most of these people want to do a good job, but they are hampered by red tape in recruiting skilled and specialized workers for key jobs, delay in both hiring capable workers and firing the incompetent, and "empire building" within agencies.

One minor governmental subdivision recently was found to have 17 "sections", 27 "units", 24 "subunits", 13 "groups" and one "inquiry office." Some of them contained only one or two persons, but all had "chiefs", "assistant chiefs", and so on. No wonder 500,000 employees annually become frustrated and quit the government.

2. *Better service for veterans*

The super-duper colossus of waste is the VA. It takes five times as long to pay a death claim to a veteran's widow as a private company does and uses four times as many people to do it. This is the agency where 24 supervisors were found for 25 employees, which explained a 9-page law into 994 pages of regulations and instructions, which wasted big sums on "phoney" educational projects and overpaid $200 million to men who already had left school.

3. *Unified federal hospitals*

Five big, and some 30 smaller, federal hospital systems are set up on a rigidly separate basis. They obtain funds and build hospitals with little knowledge of, and no regard for, the needs of each other. They compete among themselves, and with private hospitals, for desperately scarce physicians and nurses. They fail to utilize manpower fully and efficiently; in other words, they waste it. No one knows how many hospital beds the government maintains.

4. *A modernized post office*

The present system is running at a loss of $500 million a year. It is hampered by an archaic and over-centralized organizational structure, a mass of cumbersome legal regulations and restrictions, outmoded equipment and methods, low morale due to political appoint of postmasters, and hidden subsidies paid to airlines and other carriers — $120 million a year. One "airline" with total revenue of only $36,000 got $440,000 in subsidy payments.

5. *A check on "pork barrel" public works*

Army Engineers with 40,000 employees and the Bureau of Reclamation of the Department of the Interior between them have projects planned that would cost $52 billion. They are "brazen and pernicious lobbyists" — both of them. Read their record from "Will We Be Ready?".

6. *An up-to-date department of agriculture*

The present one is ill-organized, riddled with duplication and overlapping, wasteful, creaky and confused. It spent $32 in 1948 for every $1 spent in 1928. The Commission found it a "loose confederation of independent bureaus and agencies" with a score of huge units operating independently and often at cross purposes. In a single county in the State of Washington the Commission found 184 farm agents serving 6,700 farmers—one agent for every 36 farmers.

7. *Other Recommendations*

Grouping of Social Security, Education and Indian Affairs in a single cabinet department;

Uniform handling of administration of war-created federal jurisdictions overseas;

An attack on the complex relationship of federal and state governments;

Re-organization of the Treasury and other major federal commissions, boards and bureaus.

This program cannot be completed without popular support, for the opposition is strong.

The Citizens' Committee

The surest way to get a job like this done is to join with others and put up a united and powerful front.

Join the Citizens Committee and help form an effective "lobby against lobbies" — a "pressure group against pressure groups". Write to your senators and congressmen often. Tell them you want economy and that you especially want the balance of the Hoover Report adopted.

In conclusion let me quote from a statement by Robert L. Johnson, National Chairman of the Citizens Committee for the Hoover Report:

"We cannot bear the burdens of the world on one shoulder and a burden of waste on the other . . . We cannot stand before the world as a symbol of free self-government if we cannot manage our own affairs . . . Every dollar, every scrap of material, every bit of human effort we waste is a gift to the enemies of freedom."

Quotation from "WILL WE BE READY?" concerning competition between the Army Engineer Corps and the Bureau of Reclamation. "On tiny Cherry Creek, near Denver, the Army Engineers tore down an existing dam, which local engineers considered adequate, and erected another three miles long and 147 feet high. The Colorado-Big Thompson project was estimated to cost $44 millions by the Bureau of Reclamation —but it may eventually cost $200 millions. The $24 million Kendrick Dam in Wyoming was built in 1935—12 long years before any water became available for it. On the Snake River in Hell's Canyon, Idaho, the Engineers and the Bureau surveyed plans for a dam at sites less than two miles apart, spent $250,000 per survey—and came up with cost estimates $75 millions apart."

New York State Court Rules on "Savings" Banks

NEW YORK State Supreme Court Justice Thomas J. Tuff in Mineola decided May 29 that Section 258, sub-division 1, of the New York State banking law, is unconstitutional and denied an injunction sought by the Attorney General of New York to restrain the Franklin National Bank of Franklin Square, Long Island, from using the words, "saving", "savings", or their equivalent. This statute prohibits any financial institution, except savings banks or savings and loan associations, from using these words in its banking or financial business.

The action, brought in May of 1950, alleged that the bank since 1947 had used these terms in its dealings with the public and, as such, had violated that section of the New York State banking law. The bank, in its reply, admitted the use of the words, but contended that the state statute directly conflicted with the United States Constitution and the federal banking laws, and interfered with the operation of all national banks as federal instrumentalities and also discriminated against national banks in favor of state savings banks and state and federal savings and loan associations.

LETTER TO THE EDITOR

Kansas City

I was quite interested in Mr. Harold H. Case's letter to the editor in regard to the contest letters published in a recent issue of our credit magazine.

Personally, I was inclined to favor the first of the two letters which tied for fourth place. This letter was short, to the point, courteous, and yet it protected a sound policy.

I will take my hat off to the author of each of these five letters. They are all very good letters.

Very truly yours,

C. R. Paulter
Credit Manager
William Volker & Company

A silly question, you say? Read, mark, learn and inwardly digest the following pages and you will see it is a serious question indeed for laymen to answer:

What is a bad check?

by CARL B. EVERBERG
Assistant Professor of Law, Boston University

THE giving of a bad check ("hot check"), with intent to defraud and with knowledge of insufficient funds or credit to meet it, comes under the criminal act known as false pretense. The writing of checks is so common a practice that it is not to be wondered at that so many of them fail to clear. The prolific use of checks in our society has been lampooned in one way or another. One familiar story is about the wife who was given a book of blank checks by her husband, for convenience, and supposed that as long as the check blanks held out there was no limit to the amount she could check out.

"Bouncing" checks provide a problem today of much seriousness. It is being reported that the number of worthless checks passing through the banks is increasing and is higher now than ever before. Thus every state has attempted to deal with the situation by its own kind of criminal statute.

No uniformity

The most regrettable thing about the laws covering worthless checks is the same as in practically all other departments of the law—there is no uniformity amongst the states, neither as to the form of the statutes, nor as to the interpretation of them by the courts.

To know whether, in any given case, the issuing of a worthless check constitutes a statutory crime requires a research of the bad check law in the particular state where the transaction occurred and also the decisions of the court interpreting the statute in question. A comparison of the various statutes might be desirable here but no attempt will be made to take up the space to set them out. A typical statute from one of the states, will be set out later herein for examination where the reader desires to make one.

While the statutes will not be copied in detail herein, a few general classifications will be made showing the respective attitudes of some of the states toward the practice of issuing and passing bad checks.

The essentials

A recent case, *People v. Wellington,* 85 Cal. App. 2d 310, 193 P. 2d 30, sets forth the essential elements of the offense of issuing a check without sufficient funds. In general, these elements are basic in practically all the states. They are: (1) intent to defraud, (2) drawing, (3) a check, (4) on a bank, and (5) with knowledge on the part of the accused of the lack of funds on credit.

Since it is by nature practically impossible to read a person's mind to ascertain actual intent, which is the gist of the offense in giving a worthless check, the circumstances themselves surrounding the transaction supply the intent by inference. And most of the statutes provide in themselves that the mere issuing of the check is *prima facie* evidence of intent to defraud, and knowledge of insufficient funds.

The statutes in some states have provided a means of escaping prosecution of the crime by giving a short period of time in which to pay the amount of the check, plus any costs. The Massachusetts statute, G. L. c. 266, s. 37 is an Act which incorporates both the provision that the issuing of a worthless check shall be *prima facie* evidence of intent to defraud and knowledge of insufficient funds, and the days of grace provision within which the drawer may make good the check.

The Massachusetts statute as typical:

Drawing and Uttering Fraudulent Checks, Drafts and Orders.

Whoever, with intent to defraud, makes, draws, utters or delivers any check, draft or order for the payment of money upon any bank or other depository, with knowledge that the maker or drawer has not sufficient funds or credit at such bank or other depository for the payment of such instrument, although no express representation is made in reference thereto, shall be guilty of attempted larceny, and if money or property is obtained thereby shall be guilty of larceny. As against the maker or drawer thereof, the making, drawing, uttering or delivery of such a check, draft or order, payment of which is refused by the drawee, shall be prima facie evidence of intent to defraud and of knowledge of insufficient funds in, or credit with, such bank or other depository, un-

less the maker or drawer shall have paid the holder thereof the amount due thereon, together with all costs and protest fees, within two days after receiving notice that such check, draft or order has not been paid by the drawee.

Where one draws an insufficient check in representative capacity

It has been held that one who obtains property on a worthless check is criminally liable regardless of whether he draws the check on his personal account or in some representative capacity. *State v. Cooley,* 141 Tenn. 33, 206 S. W. 182. In *State v. Dowless,* 217 N. C. 589, 9 S. E. 2d 18, it was stated a corporate officer may be held criminally liable for uttering and delivering a check of the corporation with knowledge of its worthlessness. In *State v. Doudna,* 226 Iowa 351, 284 N. W. 113, it was held to be no defense that the accused signed his name as manager of the business operated by him under a trade name. There is authority, however, for the view that an officer who signed a corporation's worthless check in a representative capacity could not be prosecuted. *People v. Fleishman,* 232 N. Y. S. 187.

Can an indorser be guilty?

It is held that even an indorser of a check can be guilty. For example, one who by indorsement, with intent to defraud, uses a check or draft, knowing at the time that the maker or drawer has not sufficient funds on deposit to pay it when presented, may be guilty of the offense. *Siegel v. Commonwealth,* 176 Ky. 772, 177 Ky. 232. 197 S. W. 467, 197 S. W. 809. But, in another case, *Dawson v. State,* 79 Tex. Cr. 371, 185 S. W. 875, it was stated that in order for the indorser to be criminally liable it must be shown that he was criminally connected with the proposition to defraud.

It is largely a factual problem to determine whether one has committed the crime of issuing or uttering a fraudulent check.

The facts always differentiate cases. There are, of course, no two cases ever alike in law (or in nature). It is this factor which makes the law seem at times to be hard to pin down. Laymen often wonder why the result was so-and-so in one case and thus-and-so in another. But laymen, in so reasoning, overlook the variance in facts. Hence, one must avoid stereotype thinking, and this is an especially appropriate caution for the holder of a bad check who is contemplating having the issuer prosecuted. Besides the variance in facts one must always take into account the variance in the personalities of courts.

Some courts, for example, do not lean so much on the *prima facie* establishment of intent to defraud (according to the statutes referred to) as they do upon the facts they can find to extenuate the issuing of a bad check. Some courts like to explore the question as to whether the drawer had reason to believe that the check might be honored on presentation. If he convinces the court that he so believed, then the intent to defraud would be lacking, of course. The two following cases are in point: *State v. Foxton,* 166 Iowa 181, 147 N. W. 347, and *Mortenson v. State,* 214 Ark. 528, 217 S. W. 2d 325.

A sight draft, drawn by accused on himself, even where he gave it in payment of merchandise purchased by him, did not constitute a false pretense, according to *People v. Green,* 22 Cal. App. 45, 133 P. 334, it amounting only to a representation, said the court, of future ability to pay, this being no crime.

The courts do not consider a check drawn on an institution, not a depositary of money, as coming under the statute. *State v. Williams,* 141 Kan. 732, 42 P. 2d 561. This case concerned a check which had been drawn on a packing company.

Things which may exonerate

Where a drawer reasonably expected that a check would be paid, when presented, because he intended to deposit sufficient funds before presentment, it was held sufficient to exonerate him. *People v. Decker,* 137 Cal. App. 349, 30 P. 2d 562, *State v. Schock,* 58 N. D. 340, 226 N. W. 525, 72 A.L.R. 888.

However, in *People v. King,* 63 Cal. App. 674, 219 P. 753, there appears to be a dictum to the contrary.

If the drawer makes an actual deposit of sufficient funds to meet the check before it is presented it has been held enough to absolve him from guilt.

Where a check could not be presented for several days because of intervening holidays, and drawer issued a check knowing there were insufficient funds to meet it, but he offered to repay the amount of the check the day after it was issued, it was held not to be a violation of the bad check law. *Arrington v. State,* 107 Tex. Cr. 422, 296 S. W. 568.

There are instances where the payee or holder of a check will take it with the understanding that at the time the check is issued it is not then collectible. Where such circumstances exist and the drawer gives a promise that he will make a deposit sufficient to meet the check, the courts hold frequently that an offense has not been committed. It is because the intent to defraud is lacking. See 35 C. J. S. p. 660, footnote 63. In Kansas, however, the intent is held in several cases not to be an element of the offense; therefore, in Kansas the knowledge of the payee or holder that the check is not then collectible is immaterial. *State v. Avery,* 111 Kan. 588, 207 P. 838, *State v. Bechtelheimer,* 151 Kan. 582, 100 P. 2d. 657.

Where the issuer of a check can show that there were sufficient funds on deposit at the time of issuance, the offense is not generally deemed committed notwithstanding that subsequently changes rendered the funds insufficient. *Wolfe v. State,* 76 Fla. 168, 79 So. 449.

Furthermore, if the drawer had credit with the bank upon which the check was drawn by arrangement, or it was understood by the bank that the check would be paid in spite of an insufficiency of funds, the offense is not made out, according to *State v. Vandenburg,* 9 W. W. Harr (Del.) 198 A. 701.

Days of grace

In those states where the statute gives the drawer a prescribed time after notice in which to make good a check, payment within such time exonerates the such drawer of a worthless check.

But there is some difference amongst the states as to whether written notice should be given or whether a verbal notice is sufficient.

The drawer and holder of a check can reach an accord and satisfaction within the period of grace which may have the effect of payment and thus relieve the drawer of the check of the offense. *State v. Cunningham,* 90 W. Va. 806, 111 S. E. 835.

Where the drawer deposits sufficient funds before presentment so that when the check arrives for payment it will clear, no occasion arises for claiming the check to be worthless, even though at the moment of issuing the check it was drawn without sufficient funds. However, suppose that a drawer, not having sufficient funds on deposit at the time of issuance of the check, does deposit sufficient funds, and the bank diverts the funds without authority for some reason, is the drawer guilty? According to *State v. Price,* 83 W. Va. 71, 97 S. E. 582, he is not.

The question sometimes arises as to whether a partial payment on a worthless check exonerates the accused. According to *Ex parte Myers,* 119 Kan. 270, 237 P. 1026, this is only a partial condonation of the civil wrong and is of no significance so far as the offense against the state is concerned. Therefore the drawer is not immune to criminal prosecution.

Other circumstances

These illustrations have been given so as to demonstrate that every worthless check does not give rise to a criminal offense. In spite of all the seeming elements, in a given set of facts, of the crime of issuing a fraudulent check, there can be other circumstances not known at the time which render the issuer of a worthless check innocent.

Perhaps no one can ever be sure whether an issuer of a check is guilty of the violation of the statute or not, until all the facts and circumstances of a case have been weighed in a trial by a judge or jury. And this is so even though the check may have been used to obtain money or property. Many of the states consider no crime to have been committed where a worthless check is given in payment of a past due debt, regardless of the bad faith of the issuer and regardless of his knowledge of insufficient funds to meet it.

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(This is the first of a series of three articles by Mr. Everberg on bad checks. At the conclusion of this series he will resume his "Legal Notes and News" and his "As a creditor you can. . ." departments. In the former Mr. Everberg explains the credit significance of recent court decisions. In the latter he gives the credit executive tips on what he can or cannot do according to court rulings.)

Present Tax Code Could Jeopardize A Businessman's Credit Standing

by WILLIAM H. STONAKER

President, Mill Factors Corporation, New York

During World War II, as a result of its probable effect on our economy, income tax legislation was passed extending to all business entities the benefits of carry-back and carry-over provisions covering two years before the year of loss and two years after, thus effecting averages of gains and losses on an equitable basis over a five year period.

In 1950 the timing of these provisions of the Internal Revenue Code was revised. The right of carry-back and carry-over now was granted for one year previous to the loss year and five years after such loss year. This re-arrangement was effected at that time because of the reduced taxes then existing, and as being fair and equitable under the economic conditions then prevailing.

However, the time has again arrived when we must face the necessity of very substantial increases in our income tax assessments, and also assessments under the revived excess profits tax.

As usual the American merchant will accept the situation with which he is confronted with good grace and with full realization of the necessity for such action. He will assume such burdens as are incumbent upon him and to that end will endeavor to adjust his affairs accordingly.

Danger for business

It becomes quite apparent, however, that consideration should again be given to a revision of the carry-back and carry-over feature of the Internal Revenue Code as a result of the many complexities again arising. It becomes quite evident that possible substantial losses, due to the altered circumstances under which a business must be conducted and to which it will be subjected, warrant, indeed necessitate, a broader and more practical application of this feature of our income tax law than has previously been deemed necessary.

The steady inflationary trend with which our economy is confronted, and is to some extent encouraged, will continue in order that profits might produce profits taxes in sufficient amounts to finance the rearmament program. Many businesses without sufficient capital to set up a cushion against a future and more or less positive sudden deflation may, as a result of the assessment of earlier burdensome taxes, find their working capital substantially wiped out or depleted to such an extent as to preclude their continuance in business. The resultant loss of credit at their banks and from their suppliers, unless some substantial portion of taxes previously assessed be recouped, might well cause the liquidation of the business thus affected.

A merchant in such a predicament could not regain his credit standing with his banks and suppliers by stating that he may in the future file his claim under the now existing provisions of the carry-back and carry-over clause, on profits to be made in the future, for the very evident reason that without capital and without credit he would not be in position to continue his business and hence would become just another war casualty.

Change the Code

Therefore, that such a victim of circumstances beyond his control might justly retrieve a substantial portion of taxes paid on profits never actually realized, the Internal Revenue Code should be revised so that the carry-back privilege be extended, even though such action might necessitate curtailment of the carry-over provision. Such action would not only deal fairly with the taxpayer, but should also manifest its benefits in the filing of more accurate tax returns.

The justice of this recommendation most surely is recognized by our entire credit fraternity. Individual action, however, in writing your Senator and your Congressman letting them know your personal views, should go a long way toward bringing about this much needed correction in our Internal Revenue Code.

Paying Bills Is Big Problem For Soft Goods Dealer

LIKE most of his customers these days, the soft goods retailer is having a tough time paying his bills. Today, the haberdasher needs almost twice as much time in which to pay his bills as he did a year ago. These facts are brought out in a survey of the financial statements of 1000 soft goods retailers throughout the country which has been completed by the Men's Furnishings Manufacturers Credit Group of the New York Credit & Financial Management Association. The survey covers conditions as of December 31, 1950. It shows that after paying all expenses, the retailer has enough money left from sales to meet his accounts payable in full within 62 days, as compared with 38 days the previous year. The same haberdasher now needs 102 days in which to pay all his current liabilities, as against 69 days the previous year.

For the first time in five years, net profits showed an increase. In 1950, net profits averaged 7.7%, up slightly from 1949's 7.3%, but still below net profits in 1946 to 1948 inclusive.

At the present time, many of these retailers are carrying inventories beyond their normal needs, thus bringing about an unbalanced condition. The survey, prepared by Irving Goodzeit, Eastern Credit Manager of Coopers, Inc. and chairman of the Group's Standards Committee, showed that the ratio of merchandise to working capital increased 12.8%, moving up from 93% in 1949 to almost 106% last year.

Figures don't lie, but . . . .

LIARS CAN FIGURE

by NELSON J. GULSKI, CPA
Dean, School of Business Administration
Bryant College, Providence, R. I.

THE subject of this article, "Figures don't lie, but liars will figure," has intrigued me for a long time. I first became conscious of the situation early in my career as a teacher when I read of the English promoter, who, in connection with the sale of securities, said that his company had, over the last ten years, made an average profit of £50,000. That was mathematically correct, but the truth of the situation was that the first of the ten years had shown a tremendous profit—the last nine had shown losses. He went to jail.

At a somewhat later date—near the beginning of the second World War—I remember picking up the New York *Times* and reading that a plumbing supply company reported a profit of $2 million. The article went on to state that this was based on a new method of accounting—that had the old method of accounting been followed, the company would have reported a net loss of a million. What was this change in accounting method? Losses of foreign subsidiaries had been omitted from the year's results. That really impressed me. By forgetting that you own certain interests and reporting on only part of your properties, you report a profit instead of a loss!

Another incident which illustrates the conditions which did exist is found in an old company prospectus. This company belatedly disclosed that its depreciation charges had been made in part against profits and in part against surplus as follows:

	Income	*Surplus*
1924	600,000	....
1925	....	....
1926	....	....
1927	1,000,000	2,600,000
1928	600,000	275,000

And investors were buying and selling shares of that company on the basis of reported figures!

Practices in the '30's

There were many, many more instances in which the reporting of profits might have been questioned or criticized; but before leaving ancient history, let me consider a very prevalent practice of the 1930's. Many a company found itself with properties purchased at fancy prices during the boom days of the 20's. Depreciation on these properties plus reduced volumes and narrow profit margins had produced a substantial deficit.

To correct all of this, only a few book entries were needed. First, reduce the par of the stock and "presto-chango" the deficit was wiped out and a generous surplus created. Second, write down the overvalued assets to an ultraconservative figure. Depreciation on much-reduced value now permitted the showing of profits instead of losses. Only two book entries—and losses are turned into profits.

Who did that sort of thing? Well, one company reduced its plant account from 19 million to $1.00. Another reduced its plant account from 2.7 million to the popular $1.00 figure. In both of these cases depreciation charges were virtually eliminated, with consequent increases in reported profits.

Where were the accountants?

You are now, perhaps, just about ready to ask, "Where were your accountants through all of this?" As an observer for the most part, I must report as follows:

1. Accountancy was—and still is—a very young profession. Standards of accounting were only vaguely recognized; and the average practitioner, I am afraid, could not see beyond the best interests of his client—his paymaster.
2. The status of the accountant was, and to some extent still is, uncertain. On the one hand he was sort of a financial counselor to his client; and at the same time he had to play the part of a policeman protecting the interests of bankers, creditors, and stockholders by seeing that the report-

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Speech Delivered Before Rhode Island Association of Credit Men, February 14, 1951.

ing was impartial. This was not, and is not now, an enviable position.

3. In demanding that certain standards of reporting be met, the accountant had no one to back him up. His profession was too closely organized, and there was no S. E. C.

Still room for improvement

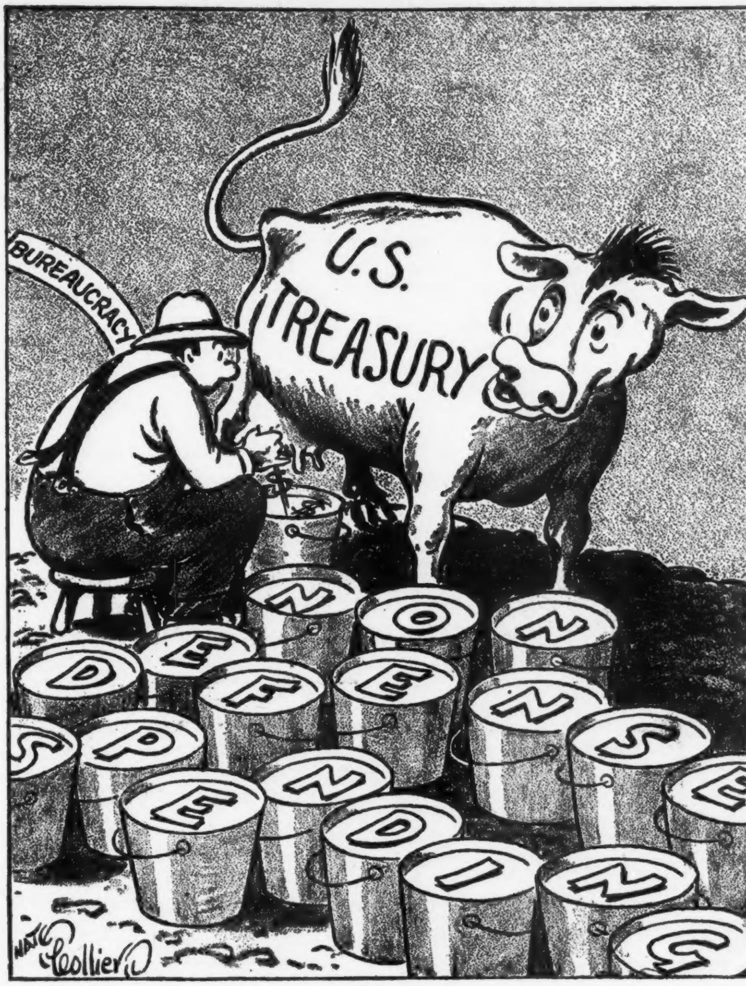
As a result of efforts on the part of the New York Stock Exchange, the Securities and Exchange Commission, the American Institute of Accountants, the American Accounting Society, and others, many of the more glaring abuses have been cleared up or brought out into the open for all to see. But all is not the way we should like to have it by any means.

The Controllership Foundation, Inc., recently completed a survey which disclosed that 49 per cent of the people interrogated did not believe the profits as reported by big companies to be correct. What is back of this disbelief? Is it that they feel that accountants and businessmen are outright prevaricators? I do not think that that is their attitude entirely, but they do not understand the technical jargon we use. They do not comprehend the numerous schedules and footnotes—and neither do I! I am of the opinion that the ordinary man looks at the reported amounts and says, "That may be right, but I'll bet there is some other way of doing it that will give an altogether different result." And the sad part of it is that that is the truth of the matter. There are many acceptable ways of figuring the profit.

What is income?

This situation is not at all surprising when we realize that profit statements may be used for a variety of purposes. For income tax, labor unions, and our customers, management likes to report a profit that is small. For stockholders, bankers, and others, management wants the profit to be large. In fact, there is no general agreement on what is meant by "income"; and since this is a free country, many managements insist on their own ideas on the subject rather than conform to what might become a generally accepted practice.

STOP IT!



If a business started out with $60,000 in cash and after ten years wound up with $100,000 in cash, we could be sure that the profit for the ten-year period was $40,000. Or was it? Leaving out of consideration changes in the purchasing power of the dollar—which problem accountants have tried to avoid—we say the profit for the period was $40,000; but the profit for each year of the ten might have been far different, depending on which of several accounting methods were used.

Alternate methods

I should like to consider with you some of the areas of accounting practice where alternate methods may be employed to produce different results. Please bear in mind that I am not now referring to questionable accounting practices. I am now dealing with legitimate variations in method, which may be reflected in any financial statement that comes to your desk.

In the matter of taking up income in the accounts we find:

a. The cash basis, which says the income is earned upon collection. Under this arbitrary plan results may be produced where desired by speeding up or slowing down the collection process.
b. The accrual basis in which income is deemed to be made when the sale is made; that is, in general, when title to the goods changes hands.
c. The installment basis of accounting, in which income is taken up as collections are made. Thus the profit from one sale may be taken up over several periods as the sales price is collected.
d. The contract basis, in which contractors have a choice: income may be taken up as the work is done, or all profit may be taken into the accounts when the job is completed.

Charging costs

In determining the order in which costs are charged against income, the accountant may choose from several possibilities.

THE FACTS

Our hypothetical company carried out the following transactions during the period:

1. Purchased 500 units of material

200 units at $10 each	$2,000
300 units at $15 each	4,500
	$6,500

2. Used 400 units of above material in production

Choice A—Charge Production with	300 at $15	$4,500	
	100 at $10	1,000	$5,500
Choice B—Charge Production with	200 at $10	$2,000	
	200 at $15	3,000	$5,000

3. Paid labor costs for manufacturing the above material $4,000. If workmen had been reasonably efficient and reworking had been unnecessary, labor cost would have been $3,000.

Choice A—Include entire $4,000 in cost.
Choice B—Include only $3,000 in costs and treat $1,000 as a loss due to inefficiency.

4. Actual overhead incurred during the period totaled $5,000. At normal operating volumes and reasonable efficiency, overhead should be 120 per cent of standard labor cost.

Choice A—Include entire $5,000 in cost.
Choice B—Include only normal amount of $3,600 in costs and allow $1,400 to show up as expense due to idle facilities and careless spending.

5. Production for the period was 1,000 units of finished product of which 600 were sold at an average price of $20.

6. In addition to paying selling and administration expenses of $1,800, the company used a truck in delivery of its product. The truck had cost $2,000 and had an estimated useful life of 4 years or 100,000 miles. Because of slow business the truck was driven only 12,000 miles during the period.

Choice A—Take mileage as a basis. 12,000 miles at 2¢ = $240
Choice B—Take straight-line depreciation $2,000 ÷ 4 = $500

7. The company owns a 60 per cent stock interest in an affiliated company which produces our raw material. During the year the affiliate lost $3,000 but paid a dividend of $1,000 out of prior years' profits.

Choice A—Take up the dividend received of $600 as income.
Choice B—Consider the $600 dividend as a reduction in the value of our investment and take up our share of the affiliate's loss, $1,800. (Through consolidating statements or otherwise.)

8. During the year the company disposed of some surplus equipment and sustained a loss thereon of $800.

Choice A—The loss is due to inadequate depreciation charges in past years and therefore is an adjustment of the profits of past years. Carry it to surplus and do not adjust this year's profit.
Choice B—The loss on the transaction occurred this year and must be shown in the profit statement.

a. First in, first out, in which the cost of the earliest purchases are charged against current income. This reflects current price levels in inventory values and includes inventory gains and losses in the reported profit.

b. Last in, first out, in which current purchases are matched against current sales thus eliminating inventory gains from reported profits, but producing an inventory value reflecting price levels in effect at the time the method was adopted. Originally, this method was designed for use in certain fields where large inventories of base materials, subject to violent price fluctuations had to be carried. But today, because it results in lower income tax payments, it has been adopted in just about every line. Regardless of what you may think about Lifo as an inventory method, it does make one stop when he reads a footnote to a financial statement: "Profit this year was based on the Lifo method of inventory. Had Fifo been used the profit would have been $100,000 or more," or "The balance sheet figure for inventory is stated on the Lifo basis—it is actually worth $1,000,000 more."

"Cost" and "loss"

Apportionment of the expenditure stream between "cost" and "loss," or, as the recent accounting literature phrases it, between "product cost" and "period cost," presents a problem. No matter what the terminology may be, the first class of expenditures are capitalized and shown as assets until such time as the assets are sold or consumed in the business operation. The second class are charged against the operations of the current period. At least two aspects of this problem present themselves.

a. In the division of expenditures in connection with the acquisition and maintenance of fixed property, considerable freedom of choice exists on many items. If the tendency is to charge everything possible to expense, the profits will be low—so will the fixed assets. If the opposite choice is taken, profits will be greater—so will the fixed assets.

b. In cost accounting where repetitive production is the rule, we sometimes figure actual costs including all expenditures; but the modern tendency is to separate the reasonable cost for goods and services actually used and charge them as product cost. The unreasonable expenditures for goods and services are segregated and charged to current operations as variations from standard costs. Inventory values and profits will necessarily vary with the choice of methods.

Other alternatives

The apportionment of capitalized expenditures over several periods through depletion and depreciation offers further choices of method.

a. Some companies report profits without providing for depletion;

some take it on cost; some use percentage depletion.

b. Depreciation and obsolescence may be handled in a variety of ways, producing a variety of results.

Profits and loss of affiliated companies.

a. If we consolidate the affairs of these affiliated companies, we take up our share of the year's profits and losses.

b. If we treat them as investment, we report only dividends received as income and disregard the losses.

Accounting for unusual transactions—such as the sale of a plant, a fire loss, or the settlement of a law suit—creates the problem of deciding whether to include the profit or loss on the deal in the reported profits or to show it as a surplus adjustment. The accounting profession has brought strong pressure to show these items as part of the reported profit.

Provision for possible future losses—such as post-war reconversions, future declines in market values, contingencies — these are matters of judgment and have been used to modify profit very appreciably in the past.

An illustration

Each management has gone its own sweet way to the confusion of the investor. To help visualize some of the various theories expounded above, let us look at our simple illustration.

The important conclusion to be drawn from our hypothetical company is not that one treatment can report a profit and another a loss. Rather, the hope has been to point out the variety of treatments that are possible and emphasize the need for looking not only to the "net profit" but also to the "choice of accounting methods" which were used in the assembly of the data. Only then will you have a clear picture of the financial affairs of the company.

Program for improvement

If what has been said is valid—and I do not offer it as the stated opinion of the accounting profession—it seems that a reasonable program for improvement in financial reporting might include the following:

THE FIGURES

Two choices of methods have been indicated for most of the transactions. If the "A" choices were taken consistently, the result would be as follows:

Cost of Production	*Picture A*	
2A Material	$ 5,500	
3A Labor	4,000	
4A Overhead	5,000	
Total Cost—1,000 units	$14,500	
Cost per unit	14.50	
Statement of Income and Expense		
Sales		$12,000
Cost of Production	$14,500	
Less Inventory (400 at $14.50)	5,800	
Cost of Goods Sold		8,700
Gross Profit		$ 3,300
Deduct Expenses and Losses		
Selling and Adm. Exp.	$ 1,800	
6A Depreciation on Truck	240	2,040
		$ 1,260
7A Dividends on Investment in Affiliate		600
Net Income		$ 1,860

If the "B" choices had been consistently used, the financial picture would have been different.

Cost of Production	*Picture B*	
2B Material	$ 5,000	
3B Labor	3,000	
4B Overhead	3,600	
Total Cost—1,000 units	$11,600	
Cost per unit	11.60	
Statement of Income and Expense		
Sales		$12,000
Cost of Production	$11,600	
Less Inventory (400 at $11.60)	4,640	
Cost of Goods Sold		6,960
Gross Profit based on Normal Costs		$ 5,040
Deduct:		
Labor Efficiency Variation	1,000	
Overhead Spending and Volume Variation	1,400	2,400
Gross Profit based on Actual Costs		$ 2,640
Deduct Expenses and Losses		
Selling and Adm. Expense	$ 1,800	
6B Depreciation of Truck	500	
7B Loss on Oper. of Affiliate	1,800	
8B Loss on Sale of Equipment	800	4,900
Net Loss		$ 2,260

1. The establishment of an authoritative comprehensive code of accounting principles to narrow the range of present practices.
2. The adoption of minimum standards of disclosure in financial statements.
3. The adoption of uniform practice within specific industries for inventory valuation, depreciation, and the like.
4. The development of more nearly standardized statements that use the language of the reader rather than the language of the technician.

Accountants and businessmen would undoubtedly feel some reluctance about accepting this type of standardization even for the sake of the common good. However, it seems to me that the adoption of these four measures would mark a definite step forward in the road toward more effective financial reporting.

NEXT MONTH

An old hand at the credit game points out why it is necessary for credit executives to get out and call on the trade.

Accent Should Be On Prudence, Rukeyser Says in Boston Speech

Boston, May 16.—With the initiative for calling international shots still in Moscow, the United States faces the difficult challenge of re-arming without seriously impairing its principal source of strength; namely, the unrivalled productivity of its national economy.

This view was expressed by Merryle Stanley Rukeyser of New York, economic commentator for International News Service and editorial writer for the Hearst newspapers, in an address at the Hotel Statler at the 55th annual Credit Congress of the National Association of Credit Men. Mr. Rukeyser is author of "Financial Security in a Changing World" and other books.

"The paradox of an arsenal state", Mr. Rukeyser declared, "is that it brings about inevitable distortions and maladjustments in an otherwise smoothly running and balanced economy. While some disturbances and artificial shortages are unavoidable, the goal should be to utilize as far as feasible the resources of a competitive system, with only those deviations in the direction of 'planned economy' which are demonstrably needed.

"Unless this objective is kept clearly in mind, the Russian aggressors could conceivably weaken us and get us off base without firing a shot. For the thirteen commissars in the Kremlin are fully aware of the fact that the yardstick which belies their Marxian propaganda is the continuing success of the American competitive system in yielding workers, farmers and others more and better things in exchange for a week's effort.

"The issue is more complex than suggested by the cliche about 'guns vs. butter'. If the military supplies are provided solely through a shift of production away from civilians, the long term preparedness effort will tend to weaken the American incentive system. In order to reward men for greater production, it would be fatal to make a fetish of 'austerity'.

"In the circumstances, the goal should be to provide as much of the desirable sinews of war as feasible out of new production and out of a shift in government spending. As for the latter, it is desirable to make room for enlarged military spending by cutting to the bone unessential or postponable regular government expenditures, national, state and local.

How to enlarge production

"In addition, through sticking to the American way of rewards and incentives, an effort should be made to enlarge total production, using the increment as a source of military supplies. This can be achieved through: 1. lengthening the work week from 40 to 48 hours; 2. through eliminating for the duration 'featherbedding' and other artificial restraints on output; and 3. through a voluntary truce for the duration to avoid strikes and other work stoppages. As a further supplement to the proposal to manage the national economy to give workers more goods for increased output, it is suggested that for the duration financial rewards should be accompanied by non-pecuniary incentives, such as awards to productive workers and farmers in their indispensable role in making America strong and capable of survival."

Mr. Rukeyser admonished that the abnormalities in the economy since the Korean War started heightened the need for objective credit analysis. He alluded to inventory changes in physical quantity and in dollar value and to the impact of cutbacks and material and manpower shortages in civilian trades. Mr. Rukeyser counselled prudence in reflecting realities in corporate bookkeeping, and warned against failure to set up proper reserves against contingencies as a result of speculative forecasts regarding future trends.

Mr. Rukeyser emphasized that the lull in retail sales after earlier rush buying revealed the pathology of the current economic situation. He advised promotional efforts to speed turnover, and contended that it was delusive to think that salesmen could be put in moth balls for the duration.

"In light of the high overall taxes on business profits", Mr Rukeyser concluded, "the businessman is unwise to go out on a limb in the hope of maximum conceivable net income. It is better to put the accent on prudence, and to assure a firm's survival through whatever may be ahead. A business so managed is in position to endure even when the props of support to the economy from abnormally heavy government buying may be removed."

Auditorium Is Made Available To Business Men

REMINGTON RAND announces the formal opening of a 165-seat auditorium with facilities for customer seminars and group meetings at its New York headquarters, 315 Fourth Avenue, New York.

Decorated in a simple, modern style by E. K. Gebhart, display manager, the meeting room is comfortably appointed with auditorium-type, spring-back, mohair upholstered seats and individual, fold-away tablet rests.

The 20-inch high stage has a sound-deadening cork floor, projection screen with draw-type curtains and two banks of overhead strip lighting with dimmer. A public address system has also been installed with a control panel. The Ampro 16mm projector is equipped for sound.

An unusual feature is a specially constructed lectern believed to be the only one of its kind. The lectern has been made in two sections of natural finished birch wood. It can be used as a single unit or the top section can be removed and placed on table.

The auditorium will be available for use by business groups or associations. Reservation requests should be made to Walter P. Lindsey, general manager, Sales Service Department, Remington Rand, Inc.

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An educated man is an individual who is prepared and disposed to go on to other aims in education, one who is constantly exploring new areas, particularly in his own field.

—Dr. John P. Dyer, Director of the university college of Tulane University, in a speech before the New Orleans Association.

KEEPING INFORMED

Informative reports, pamphlets, circulars, etc. which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

Controls and Coverage Against Dishonesty Loss—a 32 page pamphlet suggesting ways employers can safeguard themselves against dishonest employes. Includes a panel discussion by bonding and insurance experts. Write American Management Association, 330 West 42nd St., New York 18. Price 50¢.

Selling to the Government—Questions and answers on selling to the Government. Data on how the Government buys supplies, how to get on mailing list for bidding invitations, rotated bids, and conditions under which contracts are negotiated. Eight page leaflet gives names and addresses of who buys, what is bought, and offices from which advice may be obtained. Superintendent of Documents Washington 25, D.C. Price 5¢.

Financing Small Business—Survey of small businesses belonging to the N.A.M. Results indicate that the smaller the firm, greater the chances are additional funds will be needed —large number of small business failures and general uncertainty of business discourage investing in stock of small companies—local industrial development corporations of great assistance—special legislation has been helpful to small business. 45 pages. National Association of Manufacturers, 14 West 49th St., New York 20, N.Y. Free.

Industrial Procurement and Marketing—Reprints of article by Howard Lewis, Prof. of Marketing, Harvard Graduate School of Business Admin. describing outstanding trends in development of industrial purchasing power, significance to industrial marketing director and how to increase immediate effectiveness of sales effort, formulate sales policies to anticipate future changes in buying habits of industrial customers. Write A. M. Morse, Jr., V.P. PURCHASING, 205 E. 42nd St., New York 17.

How to Sell to Government Institutions—Defines Government institutions; what they are buying; who buys for military institutions; major categories of supplies and equipment bought by Army, Navy and Air Force; who buys for Government civilian institutions; how to enter bids; what military procurement officers want to know about your business. Write E. P. Campbell, A. M. INSTITUTIONS, 1801 Prairie Avenue, Chicago 16, Ill.

Law For Advertisers—reprint from the Ninth Graphic Arts Production Yearbook. Data on right of privacy, libel, slander, reproducibility of coins, stamps, flags, securities, uniforms and legal considerations regarding contests and premiums. Write Charles J. Hauk, Jr. The Chartmakers, Inc. 480 Lexington Ave., New York, N.Y.

"Red Sabotage"—Pamphlet offering suggestions for guarding against such trouble. Single copies 25¢ or 20¢ each in bulk quantities. Write information Service, New York Herald Tribune, New York, N. Y.

Fighting Inflation—According to statement made by the life insurance companies it will take cooperation by individuals and business concerns to stop this trend. Savings should be increased and spending cut; federal taxes geared to carry the largest share of military preparedness outlay; nonmilitary expenditures should be cut and credit controls applied where necessary. 10 Pages. Write Life Insurance Association of America, 488 Madison Ave., New York 22, N. Y. Free.

R. I. P.—An amusing book about a grim subject—auto accidents. Cartoons by Virgil Partch emphasize the need for caution in hand signals; playing in the street by children; and carelessness in many ways leading to accidents. 33 Pages. Write News Bureau, The Travelers, Hartford, Conn. Free.

Marketing in a Defense Economy—an analysis of the marketing potentials for 1951. Considers such questions as: Must defense curtail our civilian economy? How about shortages of durable goods? Can our productive capacity measure up? Will people want to buy and will they have the money to buy? Supporting figures in charts and tables. Write Arno H. Johnson, V. P., J. Walter Thompson Company, 420 Lexington Ave., New York, N. Y.

Standards are your Business—This pamphlet describes the joint effort of the American Standards Association and industry to set up uniform standards for specific products. Illustrates how standardization means dollar savings. 24 pp. Write American Standards Association, 70 E. 45th St., New York 17, N. Y. Free.

"Communists can Cripple Us"—a reprint from "Changing Times", a Kiplinger publication. Single copies free; in quantities 10¢ each. Write 1729 H. Street, N. W. Washington 6, D. C.

Survival Under Atomic Attack—is the official U.S Government booklet designed to dispel the mysteries and panic-provokers out of the possible use by an enemy power of the atomic bomb in this country. This explains what the dangers really are and what we can do about them. Copies available from Superintendent of Documents, Washington 25, D.C. Price: 10¢ each—25% discount for orders in excess of 100.

Excess Profits Tax Act of 1950 With Explanation—This pamphlet contains the full text of the act and an excellent explanation of its provisions. A booklet of 160 pages, it can be purchased from the Commerce Clearing House, Inc., 214 N. Michigan Avenue, Chicago 1, Illinois. Price: $1.00

Property Risks—and Coverages Under Mobilization. This presents a series of talks given at the Insurance Conference of the A.M.A. and covers: (1) The Atom—Your Personal and Property Risks, (2) New Problems in Transportation Insurance, (3) Insurance Problems in A Mobilizing Economy, (4) Trends in Group and Social Insurance. American Management Association, 330 W. 42nd Street, New York 18, N.Y. Price: $1.25.

LEGAL NOTES AND NEWS

Of interest to financial executives

SECTIONS 2 (a) and (b) of the Robison-Patman Act prohibit discrimination in price between different purchasers of commodities of like grade and quality where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly in any line of commerce, or to injure, destroy or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination, or with customers of either of them. The statute specifically permits, however, differentials in price which make only due allowance for differences in the cost of manufacture, sale or delivery, resulting from the differing methods or quantities in which such commodities are to such purchasers sold or delivered.

Upon proof that there has been a discrimination, the burden of showing justification is upon the person charged with the violation, but a seller may rebut the primafacie case "by showing that his lower price or the furnishing of services or facilities to any purchaser or purchasers was made in good faith to meet an equally low price of a competitor, or the services or facilities furnished by a competitor."

Prior to the decision of the Supreme Court in *Standard Oil Co. v. Fed. Tr. Com'n.*, decided January 8, 1951, 95 Law Ed. 205, the Federal Trade Commission, supported by the lower courts, had held that proof that the lower price was made in good faith to meet a competitor's price did not constitute a complete defense under the provisions of the statute, but that it merely served to rebut the prima-facie establishment of discrimination and required an affirmative finding by the Commission of actual injury to competition resulting from the lower price.

As so interpreted, the defense was fraught with great technical difficulties, and was of little value as a practical matter.

The question came before the Supreme Court in the *Standard Oil Company* case, and the court said, with respect to the provision in question, that "So interpreted, the proviso would have such little, if any applicability as to be practically meaningless. We may, therefore, conclude that Congress meant to permit the natural consequences to follow the seller's action in meeting in good faith a lawful and equally low price of its competitor."

The court said that it could "find no reason to destroy that defense indirectly, merely because it also appears that the beneficiaries of the seller's price reductions may derive a competitive advantage from them or may, in a natural course of events, reduce their own resale prices to their customers."

"There is nothing", the court said "to show a congressional purpose * * * to compel the seller to choose only between ruinously cutting its prices to all its customers to match the price offered to one, or refusing to meet the competition and then ruinously raising its prices to its remaining customers to cover increased unit costs. There is on the other hand plain language and established practice which permits a seller, through Section 2(b), to retain a customer by realistically meeting in good faith the price offered to that customer, without necessarily changing the seller's price to its other customers."

The majority opinion in the *Standard Oil* case was written by Mr. Justice Burton and concurred in by three other Justices. Mr. Justice Reed, joined by the Chief Justice and Mr. Justice Black, filed a vigorous dissent, claiming that the statutory history of the provision in question clearly supported the position taken by the Federal Trade Commission.

W. R. M.

In the MODERN Office

(*Continued from page 5*)

other hand free for paper work. All processes fully visible so each figure set can be checked, and cannot be changed by accidentally touching keys. Made of Swedish steel, calculators are durable, rustproof, and require little maintenance. The finish, in green, has been designed to eliminate glare and light reflection. Write Facit, Inc. 500 Fifth Avenue, New York, for folder.

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A clear, sparkling, heavy-duty magazine and catalog binder has been put on the market by Bro-Dart Industries. Known as the *Plastickleer* Deluxe Periodical Binder, it is con-

structed entirely of one piece of 40 gauge Vinylite transparent, flexible plastic, and provides protection from soiling and tearing. Can be ordered in all sizes direct from Bro-Dart Industries, 59 E. Alpine Street, Newark 5, N.J. Library Service Division.

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Ditto, Inc. has developed a patented method of breaking down any list of items by item—each item on a separate sheet of paper—without rewriting. It is done by running a set of overlapped strips called "Analyslips" thru a Ditto duplicating machine to pick up one item on each Analyslip. As many as 30 slips can be run through the machine at one time. Slips are then torn apart and used as desired. Spaced *analyslips* can be made in practically any size, either paper or card stock, in any number of units to a set, printed on one or both sides. Write Ditto, Inc., 2243 W. Harrison St., Chicago 12, Ill., for more information.

ASSOCIATION NEWS

Charles E. Meek Passes; was NACM Pioneer

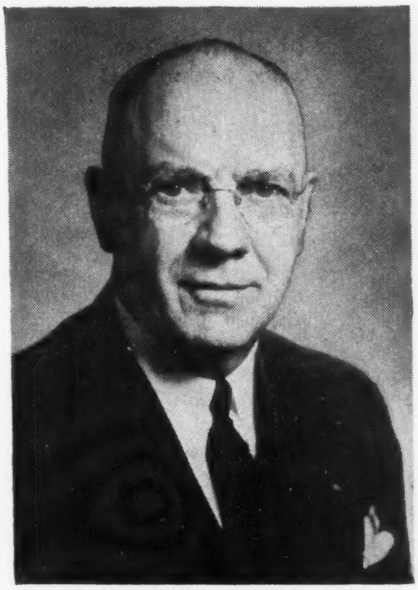
Garden City, Long Island: Charles E. Meek, one of the real pioneers in the credit world, died June 6 at his home. He was 88 years old.

Mr. Meek was one of the founders of the New York Credit Men's Association, in 1895 and served as its president from 1901 to 1904.

Nationally also Mr. Meek was active from the Association's earliest days. He was a director from 1902 to 1904, secretary-treasurer from 1904 to 1911, vice-president from 1911 to 1914 and president 1914-1915.

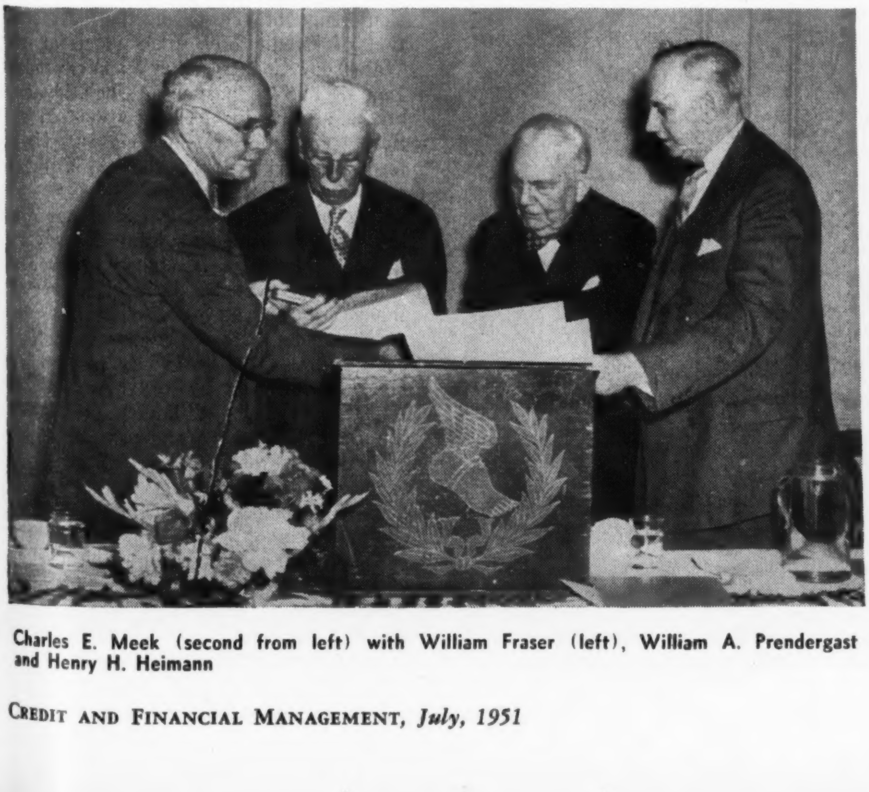
Upon leaving credit association work he joined the Fourth National Bank in New York. When that bank merged with another he joined the American Exchange National Bank as assistant vice-president and later the Chemical National Bank, now the Chemical Bank & Trust Company. He retired in 1941. Up to the time of his death he was treasurer of the Connecticut Valley Paper & Envelope Company, a position he had held since the company was incorporated in 1922.

(*Continued on page 33*)



George H. Nippert

Little Rock: President Lorne D. Duncan, National Distillers Product, Inc., was officially appointed an Arkansas Traveler during a visit to the Little Rock Association of Credit Men June 20. He paid the visit while taking a swing through the southern states.



Charles E. Meek (second from left) with William Fraser (left), William A. Prendergast and Henry H. Heimann

Chicago Honors George Nippert On Retirement

Chicago: A luncheon in honor of George H. Nippert, District Credit and Office Manager of The Procter and Gamble Distributing Company, who retires July 1 with a record of 45 years of continuous service with the company, was given at the La Salle Hotel, Tuesday, June 26.

Among those attending were the present officers and the past presidents of the Chicago Association of Credit Men, V. C. Eggerding, the Gaylord Container Corporation of St. Louis, vice-president, central division, the National Association of Credit Men, and executive manager Henry H. Heimann of NACM.

Telegrams were received from L. D. Duncan, National Distillers Products Corporation, New York, president of NACM, past presidents, C. Callaway, Jr., Crystal Springs Bleachery, Inc., Chickamauga, Georgia, A. J. Sutherland, president of the Security Trust and Savings Bank, San Diego, California, and Earl N. Felio, Jersey City, N. J., Colgate-Palmolive-Peet Company, past vice-president Eastern Division, NACM.

Chicago: George H. Nippert, District Credit and Office Manager of The Procter and Gamble Distributing Company of Chicago, will retire on July first after 45 years of continuous service with the company.

Mr. Nippert has been very active in Association work. For many years has held important executive offices in both the Chicago Association of Credit Men and the National Association of Credit Men.

In the Chicago Association, after serving on numerous committees, including Executive, Interchange, Credit Groups, and as Chairman of the Finance Committee, Adjustment, and Collection Bureau Committees he was elected to the Board of Directors. Following a three year term on the Board, he was elected First Vice-President in 1941, President in 1942, and re-elected President in 1943 and appointed National Councillor in 1944. During this period, the Association made notable advances in every department.

In National Association activities, Mr.

Nippert was elected to the Board of Directors. He served as Chairman of the important Adjustment Bureau Committee for two years and as a member of two or three special appointed committees. In 1949, was elected Vice-President of the Central Division, National Association of Credit Men.

One of the most widely known and highly esteemed executives in the credit field, Mr. Nippert retires to a well earned rest with the best of good wishes from a host of friends and fellow workers.

Chicago Will Repeat Annual Refresher Course in Credits

Two fall educational courses of the Chicago Association of Credit Men have been prepared by the Educational Committee of which E. A. Hesler, Seagram-Distillers Corporation, is the Chairman.

One is the Association's featured annual Basic and Refresher Short Course in Credits and Collections which opens Monday evening, September 24, and continues for five successive evenings followed by an examination.

Two sessions of the class will be held each evening. The speakers will be credit executives of member firms of the Association.

The other course is in cooperation with the Northwestern University of which Dr. Russell Cansler is the Director of Northwestern's downtown School of Commerce. Special registration dates have been allotted to students whose employers are members of CACM.

T. F. O'Malley Re-elected President at Richmond

Richmond: At the annual meeting of the Richmond Association of Credit Men, which was attended by more than one hundred members and wives, T. F. O'-Malley, Graybar Electric Company, was re-elected president. Edward F. Gee, State Planters Bank and Trust Company, was elected vice-president.

C. C. Harrold

Huntington, W. Va.: Word has been received of the death on May 28 of C. C. Harrold, for many years secretary and treasurer of the Credit Men's Association in Huntington. He was buried on May 30.

William D. Skinner

Word has been received of the death on board the Mauretania of William D. Skinner, retired secretary-treasurer of the General Fireproofing Company of Youngstown, Ohio.

Mr. Skinner and his wife sailed May 18. He collapsed May 22 but was feeling better the next morning. However he collapsed again after breakfast May 23 and died.

Mr. Skinner retired last year from General Fireproofing after 25 years with the company.

COMING EVENTS

Southwest Conference
Dallas, September 20-22

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Northwest Conference
Tacoma, September 27-28

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Tri-State Conference
Wichita, October 12-13

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Petroleum Credit Conference
Dallas, October 14-16

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Wisconsin Conference
Green Bay, October 15-16

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Tri-State Conference
Lincoln, Neb., October 17-18

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Tri-State Conference
Syracuse, N. Y., October 18-20

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Ohio Valley Conference
Cleveland, October 18-20

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Credit Women's Conference
Cleveland, October 20-21

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Illinois Conference
Chicago, October 24

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Southeast Conference
Atlanta, date to be announced

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New England Conference
Springfield, Mass., November 28

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National Credit Congress
Houston, May 11-15, 1952

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North Central Conference
Fargo, N. D., May 21-22, 1952

Et Tu, Morty? N.Y. Secretary Is an Author!

New York: Mortimer J. (Morty) Davis, executive vice-president of the New York Credit and Financial Management Association, has joined the ranks of lost souls—editors, publishers and the like. He has written a book—a (to quote from the cover) "conglomeration of alleged humor about credit and credit executives gathered from here and there."

Mr. Davis has been compiling the material for his volume for some time from many sources. In fact he even, in his total innocence, approached the editors of this publication for contributions despite the universally-known fact that editors don't know any jokes. They just take other people's jokes and edit the point out of them.

When last seen Mr. Davis showed no remorse whatever.

Seriously, it's hard enough to get a laugh out of these troublous times and Morty's little book does that. It's well put together and could be a real boon to toastmasters and after-dinner speakers.

The book is NOT for sale, but if any reader is interested in obtaining a copy he can do so by sending a contribution for the second edition. The address is 71 West 23rd Street, New York 10, and contributions should be fairly recent at least and should have a credit slant. But the rule is firm—no contribution, no copy.

Connecticut Credit Men Hold Conference at Waterbury Club

Waterbury, Conn.: The 1951 State Conference of the Connecticut Association of Credit Men took place at the Waterbury Country Club on Wednesday, June 6. The Connecticut Association embraces all the local Associations in the State—Waterbury, New Haven, Hartford and Bridgeport. About 130 members were registered.

The high spot of the conference was the evening banquet. John R. Heery, United Illuminating Company, New Haven, newly-elected National Director, spoke briefly thanking the members for their confidence and pledging himself to conscientious service in his new office. He was followed by the new Eastern Vice-President, E. William Lane, American Screw Company, and past President William H. Pouch, Concrete Steel Company, both of whom stressed the tremendous importance of education in Association work.

The meeting was brought to a close with a talk by Dr. Carl D. Smith, director of education, on the impact of the preparedness program on credit and what executives must do to face it.

News of Credit Women

Oakland: The Credit Women's Group of Oakland, California met June 18th for their regular monthly meeting. Dinner, followed by a business meeting was held at the Robin Hood Inn. An informative evening was spent by those attending. Sylvia Lilleland gave a short history of her firm, Red Feather Products Company of San Francisco, which is an office supply company.

New York: Jane Sweaf, Chairman of the Credit Women's National Executive Committee from 1938-1940, died June 27th. Mrs. Sweaf made an outstanding contribution toward the Credit Women's Groups during her business life. A contribution to her favorite charity was made in the name of the Groups.

St. Louis: The annual installation of officers was held Thursday evening, June 7, at the University Club. The new officers installed were: Mrs. Carolyn McIntosh, Tension Envelope Corp. of Missouri, president; Miss Helen M. Barrett, Fisher Scientific Co., vice-president; Mrs. Olive Hager, Dan Hyland, Inc., treasurer, and Miss Helen Juergens, Marsh & McLennan, Inc., secretary.

Seattle Association Has New Collection Department Manager

Seattle: J. R. "Bob" Gillespie has been named as manager of the Seattle Association's collection department—Association collectors, Inc. His predecessor, Mr. Gannon, resigned June 1.

Charles E. Meek

(Continued from page 31)

His last official "appearance" was in July, 1949, when he and W. A. Prendergast, who was appointed secretary at the Detroit convention in 1898, were honored at a dinner in New York.

J. Harry Tregoe, who succeeded Mr. Meek as secretary-treasurer, wrote a brief history of the National Association of Credit Men which appeared in these pages during 1927. In it he had this to say:

"During these foundation years (1896 to 1901) there was found in the forefront of all serious activities and difficult objectives a number of very fine men whose names should be blazoned high in the Hall of Honor; I should like to mention all of them but only a few can be included in this historical sketch; I would mention . . . Charles E. Meek of New York."

Indianapolis Honors Member Sixty Years With His Company

Indianapolis: J. Edward Stilz, Treasurer of Kiefer-Stewart Company, and contiiuously employed by the comapny for 60 years, was honored at a meeting of the Indianapolis Association of Credit Men at the Indianapolis Athletic Club recently.

Mr. Stilz started as an office boy at $5 a week; and at the end of his first year was raised to $6 a week. At the Association dinner, Mr. Stilz told how in those days the company had but one telephone; deliveries were made with horse and dray; and drug salesmen frequently took the order and delivered the merchandise on the spot.

Mr. Stilz worked his way up through bookkeeping, accounting, credit manager and company treasurer. While company treasurer, Mr. Stilz has continued to maintain active supervision of the credit department of his company, one of the nation's largest distributors of drug and allied lines.

He has been continuously either an officer or a director of the Indianapolis Association for 43 years; and has been one of the strongest supporters of the Collection, Credit Interchange and Adjustment Bureaus. He is still active in the business and goes to work each day. He is a past National Direcor of the National Association of Credit Men.

At the conclusion of the meeting, Mr. Stilz and his wife were presented with a beautiful gift of silver; and Indianapolis wonders if any other Association presently has a member who has been with his company continuously for 60 years.

San Francisco: The San Francisco Credit Women held their monthly meeting at the Bellevue Hotel June 20. The program consisted of a forum discussion.

This gives some idea of the crowded ballroom of the Statler in Boston on the morning of May 14 when the delegates assembled to hear the keynote address of Henry H. Heimann. A few minutes after the picture was taken there wasn't a seat left.

NACM NATIONAL COMMITTEES

EXECUTIVE COMMITTEE

Lorne D. Duncan
National Distillers Products Corp.
New York 5, N. Y.

E. William Lane
American Screw Company
Willimantic, Conn.

Victor C. Eggerding
Gaylord Container Corp.
St. Louis 2, Missouri

D. M. Messer
Dohrmann Commercial Co.
San Francisco 11, Calif.

C. Herbert Bradshaw
Bausch & Lomb Optical Co.
Rochester 5, New York

ADJUSTMENT BUREAUS

E. W. Hillman—*Chairman*
The Federal Glass Co.
Columbus 7, Ohio

Emmett W. Below
The Marathon Corp.
Menasha, Wisconsin

George J. Lochner
Baltimore Ass'n. of Credit Men
Baltimore 1, Md.

D. K. Porter
Inter Mountain Assn. of Credit Men
Salt Lake City 10, Utah

COLLECTION BUREAUS

E. William Lane—*Chairman*
American Screw Company
Willimantic, Conn.

C. Herbert Bradshaw
Bausch & Lomb Optical Co.
Rochester 5, New York

Herman S. Garness
Milwaukee Ass'n. of Credit Men
Milwaukee 3, Wisconsin

Lawrence Holzman
San Diego Wholesale Credit Men's Assn.
San Diego 1, California

EDUCATION

Howard S. Almy—*Chairman*
Collyer Insulated Wire Co.
Pawtucket, Rhode Island

M. C. Ulmer—*Vice-Chairman*
Zellerbach Paper Co.
San Francisco, Calif.

Beryl Boyd (1950-1952)
Belknap Hdw. Mfg. Co.
Louisville, Ky.

Byron A. Boynton (1950-1952)
Pittsburgh Consolidation Coal Co.
Pittsburgh, Pa.

George T. Brian, Jr. (1950-1952)
Noxzema Chemical Co.
Baltimore, Maryland

Mrs. Hermine A. Fischer (1950-1953)
Christian Science Publishing Co.
Boston, Mass.

Miss Bess R. Havens (1950-1952)
First National Bank
Binghamton, New York

Leroy House (1951-1954)
Electric Supply Co.
Atlanta, Georgia

G. C. Klippel (1950-1952)
Van Camp Hdw. & Iron Co.
Indianapolis, Indiana

Arthur Olson (1950-1952)
Federal Reserve Bank
Chicago, Ill.

Charles W. Pritchard (1950-1953)
Stromberg-Carlson Co.
Rochester, New York

R. D. Roberts (1951-1954)
Union Oil Company of Calif.
Los Angeles, California

T. A. Shaw (1951-1954)
Modern Appliance & Supply Co.
New Orleans, La.

R. J. Skinner (1951-1954)
Frigidaire Sales Corp.
Detroit, Michigan

E. C. Vorlander (1950-1953)
Minneapolis-Honeywell Co.
Minneapolis, Minn.

F. W. Zander (1950-1953)
U. S. Plywood Corp.

The grand march just before the president's ball at the Boston convention. Mr. and Mrs. Sutherland are on the extreme left, then Mr. and Mrs. Felio, Mr. and Mrs. Sommer, Mr. and Mrs. Day, Mr. and Mrs. Fraser, Mr. and Mrs. Wolley, Miss Ruth Hoctor and Henry Heimann.

Last year's innovation, an all-group luncheon, was repeated at Boston with great success as can readily be seen from this picture taken in the Statler ballroom. The place was packed. In fact some late-comers had to be turned away because there just wasn't room for them.

INTERCHANGE

Eastern Division

George O. Daniel
Horne-Wilson, Inc.
Atlanta 3, Georgia

Thomas D. Sheriff—*Vice Chairman*
Hamburg Brothers
Pittsburgh 22, Pennsylvania

George J. Lochner
Baltimore Assn. of Credit Men
Baltimore 1, Md.

Central Division

R. C. Creviston
Northern Wisc.-Mich. Assn. of Credit Men
Green Bay, Wisconsin

Jule Jackman
Richardson Company
Lockland 15, Ohio

Maurice D. Fields—*Chairman*
Central Rubber & Supply
Indianapolis, Indiana

Western Division

Harold H. Gloe
Morrison-Merrill & Co.
Salt Lake City 11, Utah

Harry A. Gunhus
Simonds Saw & Steel Co.
Portland 4, Oregon

A. D. Johnson
Los Angeles Credit Managers Assn.
Los Angeles, California

Ex-Offico Members

Lorne D. Duncan
President, NACM
National Distillers Prods. Co.
New York 5, N. Y.

H. H. Heimann
Executive Manager, NACM
National Association of Credit Men
New York 3, N. Y.

CREDIT RESEARCH FOUNDATION

Paul W. Miller—*President*
Marlborough Company
Atlanta 3, Georgia

Harry J. Offer—*Vice President*
Detroit Edison Company
Detroit 26, Michigan

C. Callaway, Jr.
Crystal Springs Bleachery, Inc.
Chickamuga, Georgia

F. A. Cates
Arden Farms Company
Los Angeles 44, Calif.

Lorne D. Duncan
National Distillers Prods. Co.
New York 5, N. Y.

Charles E. Fernald
Fernald and Company
Philadelphia 3, Pa.

George J. Gruen
Gruen Watch Company
Cincinnati 6, Ohio

Randolph W. Hyde
U. S. Steel Company
Pittsburgh 30, Pa.

Frank E. Jerome
Seattle First National Bank
Seattle 14, Washington

Edward J. Keefe
E. J. Keefe and Company
Tampa 1, Florida

G. C. Klippel
Van Camp Hdwe. & Iron Co.
Indianapolis 6, Ind.

Paul A. Pflueger
Pflueger and Baerwald
San Francisco 4, Calif.

Edward N. Ronnau
Cook Paint and Varnish Co.
Kansas City 10, Mo.

William M. Smith
Standard Oil Co. of Indiana
Chicago 80, Ill.

A. J. Sutherland
Security Trust & Savings Bank
San Diego 12, Calif.

CREDIT WOMEN

Miss Loretta M. Fischer—*Chairman*
Geo. Ziegler Company
Milwaukee 4, Wisc.

Vice Chairmen

Mrs. Beath Robinson
Williams & Voris Lumber Co.
Chattanooga 7, Tenn.

Miss Rosa Basler
F. D. Lawrence Elec. Co.
Cincinnati 2, Ohio

Miss Elma Hanson
Blake Moffitt & Towne
Seattle 4, Wash.

Members

Mrs. Jo Black
Hon Supply Co.
Amarillo, Texas

Mrs. Reggia DeForge Griffin
Schlitz Dist. Co.
Cambridge, Mass.

Mrs. Flora Meads Hilger
Von Allmen Preserving Co.
Louisville, Ky.

Miss Marie Louise La Noue
The Times-Picayune Publishing Co.
New Orleans 4, La.

Miss Elizabeth Moorman
B. P. John Furniture Corp.
Portland 2, Ore.

Miss Viola Pratt
Zellerbach Paper Co.
San Diego, Calif.

Miss Antoinette Rehrauer
Peerless Confection Co.
Chicago 14, Ill.

Mrs. Harriet Silvers
Graphic Arts Corp. Toledo 2, Ohio

Here is a view of the credit women's luncheon during the Boston convention. As always this was a very well-attended affair and was a strictly business meeting.

Miss Marguerite Warner
Home Appliance Co.
Wichita 2, Kansas

Miss LeVerne Willman
Midwest Electric Co., Inc.
Minneapolis, Minn.

Miss Marie Ferguson, Secretary-Treas.
National Association of Credit Men
New York 3, N. Y.

FINANCE

Charles E. Fernald—*Chairman*
Fernald and Company
Philadelphia 3, Pa.

Chaudoin Callaway, Jr.
Crystal Springs Bleachery, Inc.
Chickamauga, Georgia

Edward N. Ronnau
Cook Paint and Varnish Company
Kansas City 10, Mo.

K. Calvin Sommer
Youngstown Sheet & Tube Co.
Youngstown 1, Ohio

FOREIGN CREDIT INTERCHANGE BUREAU

Administrative Committee

Nicholas J. Murphy—*Chairman*
The Chase National Bank
New York, N. Y.

Max Adamsky
D. C. Andrews & Co., Inc.
New York, N. Y.

I. F. Baker
Westinghouse Elec. Internatl. Co.
New York, N. Y.

R. F. Bray
U. S. Steel Export Co.
New York, N. Y.

E. C. Butland
The Quaker Oats Co.
New York, N. Y.

F. E. Byrne
Cannon Mills, Inc.
New York, N. Y.

L. D. Duncan
National Distillers Prods. Corp.
New York, N. Y.

A. N. Gentes
Guaranty Trust Co. of New York
New York, N. Y.

A. E. Gotsch
The Studebaker Export Corp.
New York, N. Y.

Henry Hugly
Johnson & Johnson International
New Brunswick, N. J.

W. H. Lukens
R. M. Hollingshead Corp.
Camden, N. J.

A. H. Mader
American Chicle Co.
Long Island City, N. Y.

C. A. Maguire
Francis H. Leggett & Co.
New York, N. Y.

P. P. McGovern
Manufacturers Trust Co.
New York, N. Y.

Dempster McIntosh
Philco International Corp.
Philadelphia, Pa.

Fred R. Pinter
Overseas Export Co.
New York, N. Y.

A. E. Reed
The W. S. Tyler Co.
Cleveland, Ohio

Camilo Rodriguez
Davol Rubber Co.
Providence R. I.

C. E. Schwendler
National City Bank of New York
New York, N. Y.

H. J. Sheehan
Norton Company
New York, N. Y.

W. H. Stanley
Wm. Wrigley Jr. Company
Chicago, Ill.

C. E. Strachan
Parke, Davis Inter-American Corp.
New York, N. Y.

R. C. Thompson
The Electric Auto-Lite Company
New York, N. Y.

N. E. Totten
International General Elec. Co.
New York, N. Y.

Rudolph Vogel
Pillsbury Mills, Inc.
New York, N. Y.

Wilbert Ward
Washington, D. C.

O. C. Wasserscheid, Jr.
American Paper Exports, Inc.
New York, N. Y.

J. T. Wilson
I. B. M. World Trade Corp.
New York, N. Y.

Bureau Council

A. H. Ahlers
Owens-Illinois Glass Co.
Toledo, Ohio

Carl E. Alfaro
International Brass and Copper Co.
New York, N. Y.

E. M. Andel
Bankers Trust Co.
New York, N. Y.

R. M. Binney
First National Bank of Boston
Boston, Mass.

W. R. Dunn
General Foods Corp.
New York, N. Y.

H. C. Fischer
The Cleveland Trust Co.
Cleveland, Ohio

John Fischer
Bank of New York and Fifth Avenue Bank
New York, N. Y.

R. P. Furey
Central Hanover Bank & Tr. Co.
New York, N. Y.

W. G. Garlan
Henry K. Wampole & Co.
Philadelphia, Pa.

G. A. Hankins
Goodyear Tire & Rubber Export Company
Akron, Ohio

Walter Diamond
Public Natl. Bank & Trust Co.
New York, N. Y.

W. A. Kelly
Bank of the Manhattan Co.
New York, N. Y.

S. F. Majestic
Chemical Bank & Trust Co.
New York, N. Y.

George B. McGowan
Corn Exchange Bank Trust Co.
New York, N. Y.

G. J. Messemer
Irving Trust Co.
New York, N. Y.

A. J. Peltier
Industrial Brownhoist Corp.
Bay City, Mich.

L. W. Schaefer
Peoples National Bk. of Lynbrook
Lynbrook, New York

H. L. Schwamm
American Trust Co.
New York, N. Y.

F. Paul Smith
Bristol-Myers Co.
Hillside, N. J.

E. J. Toner
Philadelphia National Bank
Philadelphia, Pa.

B. W. Unge
City National Bank & Trust Co.
Kansas City, Mo.

FRAUD PREVENTION

Walter Churchill—*Chairman*
Williams and Company, Inc.
Pittsburgh, Pa.

E. J. Agnew
Campbell Soup Company
Camden, N. J.

Paul E. Ewers
Michigan Consolidated Gas Company
Detroit, Michigan

Elmer T. Larson
W. D. Allen Manufacturing Co.
Chicago, Illinois

Ray S. Shannon
Weyenberg Shoe Mfg. Company
Milwaukee, Wisconsin

PUBLICATIONS

Irwin Stumborg—*Chairman*
Baldwin Piano Co.
Cincinnati 2, Ohio

R. Lynn Galloway—*Vice-Chairman*
Eastman Kodak Co.
Rochester 4, N. Y.

Floyd C. Newton, Jr.
Dundee Mills
Griffin, Ga.

E. S. Seiter
Swift & Co.
Kansas City, Mo.

G. W. Sites
The Times-Mirror Co.
Los Angeles 53, Calif.

Granger H. Smith
Buhner Fertilizer Co.
Seymour, Ind.

Orrin E. Barnum
U. S. Steel Co.
Pittsburgh, Pa.

James I. Stang
Foote Bros. Gear & Machine Corp.
Chicago 9, Ill.

W. A. Maney
Maney Bros. Mill & Elev. Co.
Minneapolis, Minn.

LEGISLATIVE

C. Rodriguez—*Chairman*
% Davol Rubber Company
Providence 2, R. I.

Vice-Chairmen

Stanley B. Trott
Maryland Trust Co.
Baltimore 3, Md.

Supervision and coordination of legislative work in Legislative Districts I, II, III, V

Victor C. Eggerding
Gaylord Container Corp.
St. Louis 2, Mo.

Supervision and coordination of legislative work in Legislative Districts IV, VI, VII, VIII, IX, X, XI, XII.

Frank E. Jerome
Seattle First Natl. Bank
Seattle 14, Wash.

Supervision and coordination of legislative work in Legislative Districts XIII, XIV

Legislative District & Committee Members

District I

(*Maine, Vermont, New Hampshire, Massachusetts, Rhode Island and Connecticut.*)

Leonard K. Morse*
Bridgeport Brass Co.
30 Grand Street
Bridgeport, Conn.

Raymond T. Custer†
Graybar Elec. Co., Inc.
287 Columbus Avenue
Boston 16, Mass.

District II

(*New York and New Jersey*)

Frederick W. Zander*

* Charge of National Legislation
† Charge of State Legislation

United States Plywood Corp.
New York 18, N.Y.

Note: The STATE Legislative work in District II is supervised by the Chairman, Central Legislative Committee, Tri-State Conference, District No. 2.

Irwin H. Raunick
Fairfreze Cabinets
Buffalo 23, N.Y.

District III

(*Pennsylvania and Delaware*)

J. Leroy Vosburg*
Fernald and Company
Philadelphia 3, Pa.

J. S. Smith†
Westinghouse Air Brake Co.
Wilmerding, Pa.

District IV

(*Ohio and Michigan*)

Reed D. Andrew*
American Blower Corp.
Detroit 32, Michigan

J. A. Livi†
Surface Combustion Corp.
Toledo 7, Ohio

District V

(*Maryland, West Virginia, Virginia and North Carolina*)

Leo G. Horney*†
Bendix Radio Div.
Bendix Aviation Corp.
Towson 4, Md.

District VI

(*Georgia, Florida, Alabama, South Carolina, Mississippi, Louisiana*)

R. L. Burr*
Alpha Portland Cement Co.
Birmingham 1, Ala.

P. S. Kernion†
Meyer Bros. Drug Co., Inc.
New Orleans 5, La.

District VII

(*Kentucky and Tennessee*)

George W. Wilkins*
John Deere Plow Co.
Memphis 3, Tenn.

W. Q. Harned†
Federal Chemical Co.
Louisville, Ky.

District VIII

(*Indiana and Illinois*)

Maurice D. Fields*
Central Rubber & Sup. Co.
Indianapolis, Indiana

H. E. Butcher†
Cities Service Oil Co.
Chicago 11, Ill.

District IX

(*Missouri, Arkansas and Oklahoma*)

E. A. Schnieders*†
Dr. L. D. LeGear Medicine Co.
St. Louis 16, Mo.

District X

(*Minnesota, Wisconsin, North Dakota and South Dakota*)

Glenn Ballard*

M. & O. Paper Co.
Minneapolis, Minn.

Howard C. Hartman*
L. J. Mueller Furnace Co.
Milwaukee 15, Wisconsin

District XI
(*Nebraska, Kansas and Iowa*)

Dewey Melvin*
Melvin Lumber Co.
Des Moines, Iowa

Stephen J. Wirtz†
Omaha National Bank
Omaha, Nebraska

District XII
(*Texas, New Mexico and Arizona*)

Mrs. Bess Judd*†
The Macmillan Co.
Dallas 1, Texas

District XIII
(*California, Nevada, Utah and Colorado*)
Harold C. Crout*
Colorado Fuel & Iron Co.
Denver, Colorado

A. I. Hermann†
Union Lumber Company
San Francisco 4, Calif.

District XIV
(*Washington, Oregon, Idaho, Montana and Wyoming*)

F. E. Clyde*
Pabco Products Inc.
Seattle 9, Washington

Robert W. Kupfer†
Sealy Mattress Co.
Portland 10, Oregon

Members at Large

J. H. Barton
Electrical Supplies Distrib. Co.
San Diego, Calif.

Arthur Reese
W. P. Fuller & Company
Los Angeles 53, Calif.

Richard C. Hunt
F. S. Harmon Mfg. Co.
Tacoma 1, Washington

NOTE: Subcommittees and the members thereof may be designated by the Chairman at a later date.

MEMBERSHIP

Herman M. Kessler—*Chairman*
Standard Printing Co.
Louisville 2, Ky.

Vice-Chairmen

E. William Lane
American Screw Company
Willimantic, Conn.

Victor C. Eggerding
Gaylord Container Corp.
St. Louis 2, Missouri

D. M. Messer
Dohrmann Commercial Co.
San Francisco 11, Calif.

Liaison Representative to Credit Women
Miss Marian R. McSherry
Schenley Distillers Corp.
New York 1, N. Y.

District Supervisor

All N.A.C.M. Directors will serve as Chairmen of special District Membership Promotional Committees, and the personnel of their Committee will be made up of all Chairmen of Membership Committees of all local Associations within their district.

Thus, the Chairman of the Membership Committee of each and every local Association throughout the country becomes, in effect, a member of our National Membership Promotional Committee and activity.

SECRETARIAL COUNCIL

George J. Lochner—*Chairman*
Baltimore Ass'n. of Credit Men
Baltimore 1, Md.

Dudley Meredith—*Eastern Division*
Credit Ass'n. of Western Pa.
Pittsburgh, Pa.

H. S. Garness—*Central Division*
Milwaukee Ass'n. of Credit Men
Milwaukee 3, Wisconsin

Kenneth C. Bugbee—*Western Division*
Wholesale Credit Ass'n. of Oakland
Oakland 12, Calif.

Golden Jubilee Celebrated at Salt Lake City

Salt Lake City: On Friday, June 22, at the Hotel Utah and Inter Mountain Association of Credit Men celebrated its fiftieth year.

Founded in February 1900 at the Utah Association of Credit Men and incorporated in June 1901 the Association took its present name in 1920.

The program read like a Who's Who of the National Association of Credit Men, featuring as it did a past vice president, Forrest S. Walden and two past presidents, R. C. Wilson and Henry H. Heimann, who was the principal speaker of the evening.

Greetings were sent by past National President, A. J. Sutherland.

During the meeting the officers for the year 1951-1952 were installed. They are: President, L. W. Mansell, Strevell-Paterson Hardware Company; 1st Vice President, Lynwood Islaub, Farmers Grain Cooperative; 2nd Vice President, K. H. Matheson, Tri-State Lumber Company; 3rd Vice President, F. S. Withers, Sweet Candy Company; Treasurer, Orson M. Rogers, ZCMI.

Dana F. Reed Will Head Eastern New York Association

Albany: The annual meeting and election of officers of the Eastern New York Association of Credit Executives was held at the Albany Country Club May 23. Morris L. Husted of Poughkeepsie was the speaker and entertainer.

The Association elected new officers during the meeting: Dana F. Reed, Jr., Personal Finance Co., president; Willis L. McCullough, Aluminum Company of America, vice-president; Roy F. Myers, Mica Insulator Company, treasurer; A. Gordon Nelson, State Bank of Albany, secretary and Stannard M. Butler, Schenectady *Union-Star*, councillor.

Top left:

President William C. Hall receives trophy for Boston. Secretary Henry Lamb, retiring president James N. Jones accompanied him to the platform.

Top center:

President B. F. Edwards, Jr., Bank of America, gets five-year membership trophy for San Francisco.

Top right:

Presley H. Meyer, VP and membership chairman of the Louisville Association, receives award. Wm. H. Watts, Ballard & Ballard, president and sales manager Bob Meyer look on.

Middle left:

Charlotte was represented by T. L. Wilkinson, Union Supply & Electric Co., and secetary Wilbert Miller.

Middle center:

Vice-President A. J. Reinhart, Norcor Manufacturing Co., and Secretary Ralph C. Creviston receive membership award for the Northern Wis.—Mich. Association.

Middle right:

San Diego's award was accepted by secretary Lawrence Holzman and retiring president Sutherland.

Bottom left:

Rochester was represented on the platform by President Curtice G. Beardsley, Taylor Instrument Companies, and National Director C. H. Bradshaw, Bausch & Lomb Optical Co.

Bottom center:

Youngstown won the five-year trophy in their division. Ernest H. Wilhelmy, president, accepts it as J. Q. Adams, Bessemer Limstone & Cement Co., and K. Calvin Sommer, Youngstown Sheet & Tube Co., look on.

Bottom right:

President J. J. Steig, Tracy-Wells Co., and National Director E. W. Hillman, Federal Glass Co., receive five year award for Columbus.









A Bank Credit Department

(*Continued from page 40*)

obliged to go to the one source, all of the banks will receive identical stories. In such instances, if it is felt advisable to write to more than one bank, it would be helpful if all except one of them were asked to reply simply on the basis of information in file without making an outside investigation. One bank could be asked to make a checking if its file information were not up to date. As a matter of practice in most large cities, the banks do not check a name oftener than once every six months. By implication, information over six months old is considered out-of-date.

Tell the bank what you know

If he has had previous credit experience or other relations with the name under review, the inquirer should summarize this for the benefit of the bank investigator. The investigator, without disclosing his source, can proffer this summary on a "quid pro quo" basis to those with whom he is checking the name. In addition, the bank's possession of this information might prevent in some instances the necessity of the bank at a later date writing back to the inquirer in behalf of another customer.

While seemingly unimportant, the inquirer should remember to include a self-addressed stamped return envelope with his letter to the bank. One or two stamps a day do not bulk large in the expense of any bank. It does, however, when multiplied by the big volume of inquiries handled daily by metropolitan banks. The aggregate dollar amount over a period of time becomes costly in these days of low interest rates and mounting costs.

If the information is needed within a certain time, the customer should so inform the bank and instruct as to what means of communication the bank should employ in the event that it is necessary to contact sources out of town or outside of the United States. As a general rule, the banks in smaller centers of population are not as fully staffed or as well equipped as their city brethren for handling credit investigations promptly. In some instances the entire personnel of the bank may include only a few individuals, each having several functions, and they naturally cannot be expected to drop everything when a credit checking must be made. This situation also prevails in many of the banks in foreign countries, some being in remote locations. Even though air mail may be employed both ways, it sometimes takes a matter of weeks before replies are received from foreign countries. Even American mail service is not as prompt as it used to be. The use of telephone, telegraph or cable should be specified by the customer if the information is urgently desired.

Background for lawsuits

Another point which might be mentioned is the fact that banks never like to become involved in an investigation which may be used in connection with a possible lawsuit. It is tacitly understood among banks that they will not check with one another if they feel that a lawsuit is, or may be, involved as a background to the inquiry. No matter how the true purpose of the request is disguised, the average bank investigator has what may be facetiously termed an "extra-sensory perception" of an inquiry which has legal implications. A bank's desire to prevent the implication of itself and others in litigation is too obvious to dwell upon.

The question is asked as to the propriety of a small service charge for credit information. The charges made for such service doubtless do not cover the cost of the operation and merely act as a nuisance tax of sorts. It would seem that, in the long run, it would be to the best interests of everyone concerned that no charge be imposed since the fees would be balanced out between banks over a period of time. Very few, if any, of the large metropolitan banks make such service charges.

These points of advice derive from the practical experience of the credit department of an important New York City bank doing an international business through branch offices in Europe and through important correspondent banks in all parts of the world. The bank gets a feeling of satisfaction in better serving its many customers, and what helps you to obtain better credit information helps the bank, too. How to assist the bank credit department in giving better service is the purpose of this article. We hope readers will heed it.

Credit and Financial Terminology

(*Continued from page 10*)

tured before action could be taken.

Subordination agreements

Subordination agreements are important where it is found by examining a balance sheet, that advances and loans are being made to the company by the principals in substantial amounts, thus placing these proprietorship advances on a par with merchandise creditors. By securing a subordination agreement the credit executive is removing that portion of liabilities from the balance sheet so far as his extension of credit is concerned and in effect is capitalizing these amounts. In the event of refusal it would appear that the principals do not have sufficient confidence in their own enterprise to remove themselves from the creditor relationship.

In many cases it is advisable, because of the inadequate financing of a corporation to secure personal guarantys from the officers. However, it is well to consider that a guaranty has no value unless the guarantor has a satisfactory personal net worth. In preparing guaranty forms it is advisable to secure competent legal advice to avoid the loopholes that will be sought by a guarantor, if demand is made on him for payment of an account. The acceptance of a mere statement in letter form that one person guarantees the account of another is poor practice and dangerous.